

# Performance Fees charged on Old Mutual Unit Trust Funds

## Frequently Asked Questions

Old Mutual Unit Trusts has introduced performance fees on certain funds, as we believe that this offers a number of potential benefits to investors:

- It provides an additional incentive for the fund manager to deliver, and maintain, better long-term performance.
- Charging lower fees when performance is poor and higher fees when performance is good, better aligns the interests of the investor, the fund manager and Old Mutual Unit Trusts.

As with a flat (fixed) service fee, performance fees are reflected in a fund's total expense ratio (TER). The TER will be lower if the fund performs below its benchmark and higher if it outperforms the benchmark.

### Performance Fee minimums, maximums and sharing rates (see glossary for more detail)

- At which performance levels (also called fee hurdles) will the manager charge more than the minimum fees?
- What portion of the funds' performances will the managers be entitled to share, should the funds perform above their fee hurdles (also called the sharing rate)?
- What are the minimum fees for the relevant funds and classes?
- What are the maximum fees for the relevant funds and classes?

Fund	Fund Benchmark	Fee Hurdle	Sharing Rate	Minimum Service Fee (VAT inclusive)	Maximum Service Fee (VAT inclusive)
Old Mutual Active Quant Equity Fund A	SWIX	SWIX - 2%	15%	0.86% p.a.	2.85% p.a.
Old Mutual Balanced Fund A	CPI	CPI + 2%	15%	0.86% p.a.	2.85% p.a.
Old Mutual Balanced Fund A3	CPI	CPI + 2%	15%	1.43% p.a.	3.42% p.a.
Old Mutual Capital Builder Fund A	SB* Call Rate > R1m	SB* Call Rate > R1m	15%	1.03% p.a.	2.28% p.a.
Old Mutual Dynamic Floor Fund A	CPI	CPI + 2%	15%	1.03% p.a.	3.42% p.a.
Old Mutual Flexible Fund A	CPI	CPI + 4%	15%	0.86% p.a.	2.85% p.a.
Old Mutual Global Emerging Markets Fund A	MSCI Global Emerging Markets NR Index	Benchmark	15%	1.71% p.a.	3.42% p.a.
Old Mutual Growth Fund A	SWIX	SWIX - 2%	15%	0.86% p.a.	2.85% p.a.
Old Mutual Investors' Fund A	SWIX	SWIX - 2%	15%	0.86% p.a.	2.85% p.a.
Old Mutual Stable Growth Fund A	CPI	CPI + 1%	15%	1.03% p.a.	2.28% p.a.
Old Mutual Top Companies Fund A	SWIX	SWIX - 2%	15%	0.86% p.a.	2.85% p.a.
Old Mutual Value Fund A	SWIX	SWIX - 2%	15%	0.86% p.a.	2.85% p.a.

### Are the fee hurdles the same as the relevant fund benchmarks?

The fee hurdle is the same as the benchmark for Old Mutual Capital Builder Fund A and Old Mutual Global Emerging Markets Fund A. For the remainder of funds, there is a difference between the benchmark and fee hurdle. Where this is the case, fee hurdles have been chosen with reference to the benchmarks in such a way that a fund manager is fairly rewarded for achieving various levels of performance.

Taking the equity funds as an example, if the fund manager performs at benchmark (SWIX) the fee is approximately the same as for the original R class (1.20% vs. 1.14%). If the fund manager underperforms by 2% or more, clients invested in the A class funds pay less than R class clients (0.86% vs. 1.14%). If the fund manager achieves the medium to longer term target performance of SWIX + 2%, clients will pay the equivalent of the average flat fee in the General Equity category of 1.54%, moving up to a maximum of 2.85% p.a.

### Performance Fees charged under various conditions

What fee rate will be charged under the following conditions?

- The funds perform 10% p.a. less than the Performance Target.
- The funds perform 5% p.a. less than the Performance Target.
- The funds perform in line with the Performance Target.
- The funds perform 5% p.a. more than the Performance Target.
- The funds perform 10% p.a. more than the Performance Target.

Fund	Fund Benchmark	Performance Target	Fee at Performance Target				
			-10% p.a.	-5% p.a.	0%	5% p.a.	10% p.a.
Old Mutual Active Quant Equity Fund A	SWIX	SWIX + 2% p.a.	0.86%	0.86%	1.54%	2.39%	2.85%
Old Mutual Balanced Fund A	CPI	CPI + 6% p.a.	0.86%	0.86%	1.54%	2.39%	2.85%
Old Mutual Balanced Fund A3	CPI	CPI + 6% p.a.	1.43%	1.43%	2.11%	2.96%	3.42%
Old Mutual Capital Builder Fund A	SB* Call Rate > R1m	SB* Call Rate > R1m + 3%	1.03%	1.03%	1.54%	2.28%	2.28%
Old Mutual Dynamic Floor Fund A	CPI	CPI + 6% p.a.	1.03%	1.03%	1.71%	2.57%	3.42%
Old Mutual Flexible Fund A	CPI	CPI + 8% p.a.	0.86%	0.86%	1.54%	2.39%	2.85%
Old Mutual Global Emerging Markets Fund A	MSCI Global Emerging Markets NR Index	Benchmark	1.71%	1.71%	1.71%	2.57%	3.42%
Old Mutual Growth Fund A	SWIX	SWIX + 2% p.a.	0.86%	0.86%	1.54%	2.39%	2.85%
Old Mutual Investors' Fund A	SWIX	SWIX + 2% p.a.	0.86%	0.86%	1.54%	2.39%	2.85%
Old Mutual Stable Growth Fund A	CPI	CPI + 4% p.a.	1.03%	1.03%	1.54%	2.28%	2.28%
Old Mutual Top Companies Fund A	SWIX	SWIX + 2% p.a.	0.86%	0.86%	1.54%	2.39%	2.85%
Old Mutual Value Fund A	SWIX	SWIX + 2% p.a.	0.86%	0.86%	1.54%	2.39%	2.85%

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## Fund Classes

Do any other classes of the funds charge fixed fees instead of performance fees?

The following funds have R classes that charge flat fees. These funds have been closed to new investment on 1 November 2007.

- Old Mutual Balanced Fund R
- Old Mutual Flexible Fund R
- Old Mutual Growth Fund R
- Old Mutual Investors' Fund R
- Old Mutual Top Companies Fund R
- Old Mutual Value Fund R

## Calculating Performance Fees

Are the performance fees accrued daily (also called the Fee Accrual Frequency)?	They operate on the same basis as our flat (fixed) annual service fee: <ul style="list-style-type: none"> <li>■ calculated daily,</li> <li>■ accrued in the daily unit price,</li> <li>■ paid monthly to the management company,</li> <li>■ reducing the income distributed.</li> </ul>
How often is the performance fee paid to the manager (also called the Fee Payment Frequency)?	No.
Do performance fee accruals pertain to performance periods more than a month prior to accrual?	No.
Is a rolling measurement period used?	Yes. The performance fee is calculated based on a one-year performance, rolling daily.
Should the fund experience underperformance to the fee hurdle, how long is that underperformance held against the manager? In particular, at what point would that underperformance be written off from a fee calculation point of view?	The rolling one-year measurement period means that out under performance remains part of the fee calculation for a year.
Does performance in excess of the hurdle need to overcome prior underperformance (also called a High Water Mark system)?	Yes. With the built-in High Water Mark mechanism any underperformance during the past 12 months needs to be overcome before a performance fee can be charged.
Do any underlying funds charge implicit performance fees?	No.
When fund performance is considered, are fees included or excluded (net of fees or gross of fees)?	Benchmarks and performance targets are compared to performance gross of fees, the reason being that performance gross of fees is the same for all unit classes in a fund whereas performance net of fees is different for every class of units in a fund.
Will more than the minimum fee be charged regardless of whether the fund is experiencing positive or negative performance?	At the very least the minimum fee will be charged regardless of whether the fund is experiencing negative or positive performance. It is important to note that where the fee hurdle is SWIX - 2%, the fund may incur a performance fee even if performance is negative, as long as the fee hurdle is outperformed. It is highly unlikely that a fund with a CPI-linked or Standard Bank Call Rate benchmark and fee hurdle will charge a performance fee if fund performance is negative, since this would imply a negative inflation or interest rate. Deflation is rare, but not unknown.

## Glossary of Performance Fee terms

- Fee hurdle:** the level of performance below which only the minimum fee applies
- Maximum fee:** the highest annual service fee that will be charged
- Minimum fee:** the annual service fee that is charged regardless of how the fund performs
- Sharing rate:** the percentage of performance, in excess of the fee hurdle, in which Old Mutual will share with the investor. This means that for every 1% outperformance, Old Mutual retains 0.15% and the investor retains 0.85%
- High Water Mark:** the highest level of outperformance the fund has reached since the previous Fee Payment Date

Unit trusts are generally medium- to long-term investments. Past performance is no indication of future performance. 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. A schedule of fees, charges and maximum commissions is available from Old Mutual Unit Trust Managers Ltd (OMUT). You may sell your investment at the ruling price of the day (calculated at 15h00 on a forward pricing basis and 17h00 at month-end for Old Mutual RAFI® 40 Tracker Fund, Old Mutual Top 40 Fund and SYM|METRY Equity Fund of Funds). The Old Mutual Money Market Fund unit price aims to be static but investment capital is not guaranteed. 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. Specialist equity funds may hold a greater risk as exposure limits to a single security may be higher. A feeder fund is a portfolio that, apart from assets in liquid form, consists solely of participatory interests in a single portfolio of a collective investment scheme. A fund of funds unit trust invests only in other collective investment schemes, which may levy their own charges. Certain funds may be capped to be managed in accordance with their mandates. Different classes of unit trusts apply to these portfolios and are subject to different fees and charges. Old Mutual Unit Trust Managers Ltd is a member of the Association for Savings and Investment South Africa (ASISA).

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