



CLARIFYING CHARGES WITH EFFECTIVE ANNUAL COST

OLD MUTUAL UNIT TRUSTS

October 2016

DO GREAT THINGS



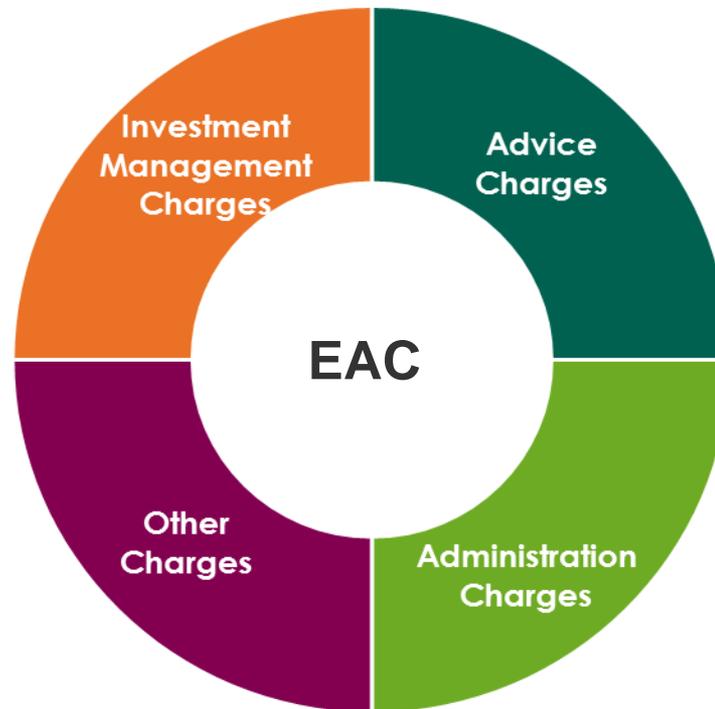
OLDMUTUAL

Effective Annual Cost (EAC)

- In line with the outcomes of Treating Customers Fairly, the Association for Savings & Investment SA (ASISA) has introduced a Standard for **Effective Annual Cost (EAC) measurement for investing**.
- With the introduction of EAC in October 2016, clients (both prospective and existing) and their financial advisers will be able to compare charges and their impact on investment returns across most savings and investment products. This standardised measure ensures that clients can make more informed financial decisions around their investments.
- EAC measures the **charges** that a client will most likely incur in the purchasing and holding of a financial investment. EAC does not attempt to measure the product features of an investment.

EAC will apply to Old Mutual Unit Trusts' Standard Unit Trust, Tax-Free Investment and the Retirement product range.

- The EAC calculation comprises of the following four separate components



How is the EAC calculated?

- Each component is calculated separately and then added to provide the EAC for the particular investment vehicle. The value for each of the components, as well as the total EAC will be displayed as a percentage in a table at four mandatory disclosure periods (1, 3, and 5 years and term to maturity). For the purposes of the illustration the EAC calculation assumes that the client will disinvest at the end of these respective periods.
- All charges that a client incurs or will incur over the relevant period are included in the EAC calculation for that particular unit trust Investment product. Where a particular charge is not available, a reasonable-best estimate is provided.
- Any additional detail of the charge which is required to be disclosed will be referenced below the EAC table.
- An example of the standard EAC table is provided below.

Adviser fee example of EAC table

Effective annual cost: Living Annuity Product				
Charges	1 Year	3 Years	5 Years	Term to Maturity 10 years ⁴
Investment management	2.1	2.1	2.1	2.1
Advice ¹	0.6	0.6	0.5	0.4
Administration ²	0.0	0.0	0.0	0.0
Other ³	0.0	0.0	0.0	0.0
Effective Annual Cost	2.7	2.7	2.6	2.5

Notes

1. Adviser fees negotiated with your adviser are accounted for here.
2. No administration charges apply.
3. No other charges apply.
4. Term to maturity is assumed to be 10 years as per regulatory guideline.



What are Investment Management Charges (IMC)?

This component includes all costs and charges for all underlying funds or investments. The investment management charge is the weighted average of the Total Expense Ratio (TER) plus the Transaction Cost (TC) of the underlying unit trust funds selected in the client's portfolio. The latest available TER and TC's are used for this.

What is the Advice Charge?

This covers upfront and or ongoing adviser fees that the client has agreed to pay for financial advice. Where a client does not have a financial adviser, the Advice Charge will reflect as 0.0%.

What is the Administration Charge?

For Unit Trust products the Administration Charge covers the administration fee for an investment which is below the fund minimum or the administration charge specific to the Living Annuity product. Where there are no admin charges applicable this will reflect as 0.0%.

What is covered by Other Charges?

For the Unit Trust product range this section will always display at 0.0% as no other charges apply for the four mandatory disclosure periods.

How does the introduction of the EAC affect financial advisers' conversations with their clients?

- **The best solution...** As an industry-wide measure, the EAC assists financial advisers with the cost comparisons across various investment products by standardising the information and providing advisers with an almost like-for-like comparison. This ensures that advisers are equipped with the necessary information to ensure that they provide their clients with the most appropriate cost-effective investment solution for their client's financial needs. It is important for advisers to remember that whilst the EAC addresses the costs of an investment vehicle, it does not cover the features of the investment vehicle.
- **More time for advice...** Financial advisers can now spend less time on explaining the different types of investment charges to their clients and more time on their advice discussions. Focusing on the advice aspect helps clients understand the appropriate investment strategy required to achieve their financial goals as well as the relevant risks associated in order to achieve that goal.
- It also ensures that clients are provided with the necessary detail of the charges associated with their investment in a manner that is simple and easy to understand.

DIFFERENT OLD MUTUAL BUSINESS UNITS WILL PROVIDE THE EAC ILLUSTRATIONS AT DIFFERENT POINTS IN THEIR INVESTMENT PROCESSES

FOR OLD MUTUAL UNIT TRUSTS:

- Clients/Advisers are encouraged to use the EAC illustrator on our public website to view the anticipated costs of the specific UT investment they are considering. The EAC is based on the underlying unit trust funds selected and the adviser fees negotiated.
- Once Old Mutual Unit Trusts has processed the investment – the client will be sent detail of the Actual EAC calculation in the transaction confirmation statement. The adviser will receive the same communication if the adviser has selected to receive copies of unit trust client correspondence. Contact our client service center on **0860 234 234** should you currently not use this service.
- Clients/Advisers can view statements of the current EAC on each product on the UT Secure Site or by requesting this from our UT Client Service Centre on **0860 234 234**.

GUIDELINES FOR HOW TO USE THE OMUT EAC ILLUSTRATOR

Our EAC Illustrator is available for use on our public website (www.OMUT.co.za)

Link:

<https://www.oldmutual.co.za/personal/investments-and-savings/unit-trusts/adviser-info-hub/adviser-tools>

Please note: Our product illustrators for our Living Annuity, Standard Investment; Tax-Free Investment; Retirement Annuity and Preservation Funds are now available within the new Effective Annual Cost (EAC) Illustrator.

Step 1

On the right of the Illustrator – Steps to use the illustrator are explained for our adviser or client

Instructions for use:

NB - Please close all other Excel Applications when using this file and ensure that your Macros are enabled

Instructions for Advisers

Step 1 (Clients with Advisers and if you do not have an Adviser skip this step)

Under Adviser Details

Step 2: Select investor Type from list

- I am an adviser
- I have an adviser
- I do not have an adviser

Please select investor type

Step 3: This section is only for Advisers Populate Adviser Details Screen

- Populate client and adviser details on this section.
- This screen is only populated for these two options:
 - I am an adviser
 - I have an adviser

Adviser Details

Client Name
Intermediary
Contact No.
Email Address
Intermediary Code

Step 4: Select the Product Type

- This is our product list. Please select one product at a time

Product type:

Step 5: Specify how you would like to invest here

- These are the different investment options available. Note these are product specific.

How to Invest

Lump sum / Single Contribution	R	10,000
Recurring Contribution	R	-
Contribution Frequency		Monthly
Annual Premium Increase %		0%
Recurring Withdrawal Amount	R	0.00
Withdrawal Frequency		Monthly
Annual Withdrawal increase %		0.00%

Step 5: Confirm negotiated adviser fees

- Only applicable to clients with advisers, and advisers

Initial Adviser Fee (excl VAT)

Equity & Multi Asset	1.00 %
Interest Bearing & Money Marke	0.00 %

Annual Adviser Fee (excl VAT)

Annual Adviser Fee	1.00 %
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Example: for Investor, adviser and product detail captured - Tax Free Product

- The view will change depending on the product selected and whether the client is intermediated or not

I am an adviser

Adviser Details

Client Name: Samantha Khiba
 Intermediary: John Doe
 Contact No.: 012487922
 Email Address: sam@.com
 Intermediary Code:

Product type: Tax Free Investment

How to Invest

Lump sum / Single Contribution: R 30,000
 Recurring Contribution: R -
 Contribution Frequency: Monthly
 Annual Premium Increase %: 0%

Initial Adviser Fee (excl VAT)

Equity & Multi Asset: 1.00 %
 Interest Bearing & Money Marke: 0.00 %

Annual Adviser Fee (excl VAT)

Annual Adviser Fee: 1.00 %

[View Client Disclosures](#)

Annual adviser fee Negotiable up to 1% (Excluding VAT)

Tax Free Investment Portfolio
CLIENT INVESTMENT SUMMARY

Client Details:

Client Name*: Samantha Khiba
 Date of Birth*: 21-Sep-1990 [dd-mm-ccyy]
 Age Next Birthday: 27

Fund Selection:

Lump Sum/Single Contribution	Allocation	Amount	Comment
Old Mutual Albaraka Balanced Fund A	30,000.00	R30,000	Fund minimum R5000
Select Fund	0.00	R0	Choose Fund
Select Fund	0.00	R0	Choose Fund
Select Fund	0.00	R0	Choose Fund
Select Fund	0.00	R0	Choose Fund

Recurring Contribution

Select Fund	Allocation	Amount	Comment
Select Fund	0.00	R0	Choose Fund
Select Fund	0.00	R0	Choose Fund
Select Fund	0.00	R0	Choose Fund
Select Fund	0.00	R0	Choose Fund
Select Fund	0.00	R0	Choose Fund

Step 6: Effective Annual Cost is displayed for viewing

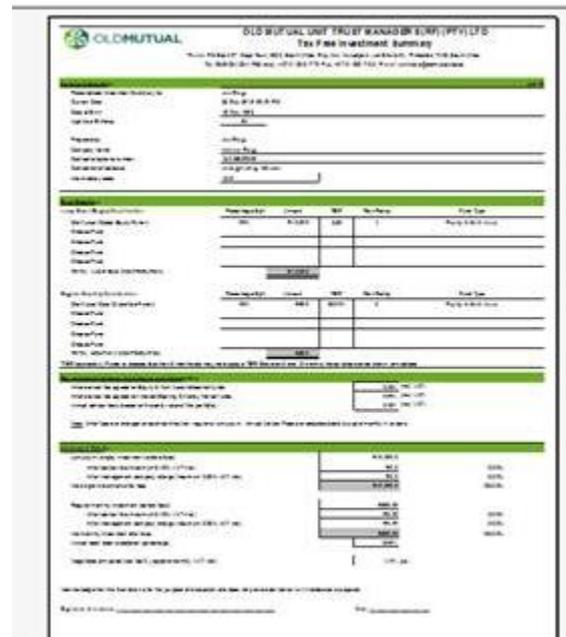
EAC - including VAT

	1 Year	3 Years	5 Years	Term to maturity
Investment Management Charges	1.6%	1.6%	1.6%	1.6%
Advice Charges ¹	2.28%	1.5%	1.4%	1.3%
Administration Charges ²	0.0%	0.0%	0.0%	0.0%
Other Charges ³	0.0%	0.0%	0.0%	0.0%
Effective Annual Cost	3.9%	3.2%	3.0%	2.9%

Select to Button to View Client Disclosures

These disclosures will be specific to the Product the client has selected and the investment values and adviser fees agreed. This document may be saved and or printed.

View Client Disclosures



Effective Annual Cost (EAC)

Note: Validation – Pop-ups

- There are pop-ups providing detail of validations used to guide your navigation through the EAC illustrator. Simply press escape to remove them when they are not needed

Only Indicate % OR Rand amount
How much of your Lumpsum Contribution amount are you investing in this fund/funds. You can either enter a rand amount or percentage without the % sign. You must select the Fund/funds first

Please call our Unit Trust Client Service Centre on **0860 234 234** should you require assistance in using this Illustrator

THANK YOU

STATUTORY INFORMATION

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 adviser before buying or selling unit trusts. You may however, buy and sell without the help of a financial adviser. If you do use a financial adviser, we remind you that they are entitled to certain negotiable adviser fees or commissions. The fees and costs that we charge for managing your investment are accessible on the relevant fund's minimum disclosure document (MDD) or table of fees and charges both available on our public website or from our service centre. 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. Our cut-off time for client instructions (e.g. buying and selling) is at 15:00 each working day for all funds, except the Money Market Funds, which are at 13:00. These are also the times we value our funds to determine the daily ruling price, except for our Index tracking and Core fund range which is valued at 24h00. (At month end we value our Old Mutual Multi Managers Fund of Funds range at 17:00). Daily prices are available on our public website (www.omut.co.za) and in the media. Funds may borrow to pay 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 in issue. Old Mutual Unit Trusts has the right to close a portfolio to new investors in order to manage it more efficiently in accordance with its mandate. Unit Trust Managers (RF) (Pty) Ltd (OMUT) is a registered manager in terms of the Collective Investment Schemes Control Act 45 of 2002. The fund fees and costs that we charge for managing your investment is accessible on the relevant fund's minimum disclosure document (MDD) or Table of fees and charges, both available on our public website, or from our contact centre. Old Mutual is a member of the Association of Savings & Investment South Africa (ASISA).