



# Standard Fixed Interest Presentation

August 2015 updates

**FUTUREGROWTH**  
/ ASSET MANAGEMENT

# Why choose Futuregrowth Asset Management?

**We are a leading investment manager that delivers consistent and reliable returns by investing in a responsible manner that enriches the lives of our clients, investors and South Africans through returns that really matter.**

# What we do?

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- | We specialise in domestic fixed income and socially responsible investments, providing access to investments such as money market instruments, government and non-government bonds, listed property and preference shares
- | Our team manages funds across the full fixed income range with special expertise in corporate (non-government) bonds

## What makes us different?

- | Fixed Income Specialists
- | Depth of skill
  - 19 investment professionals
- | Bargaining power
  - established relationships with debt originators

# Fixed Income Investments

| Philosophy

**Independent approach**, with high conviction management

| People

**Passionate fixed income money managers** (Access to wider OMIGSA)

| Process

**Not swayed** by noise & volatility

| Performance

**Solid performance track record creates wealth** for investors

| Products

Provide **solutions** to suit the risk profile

# Product range

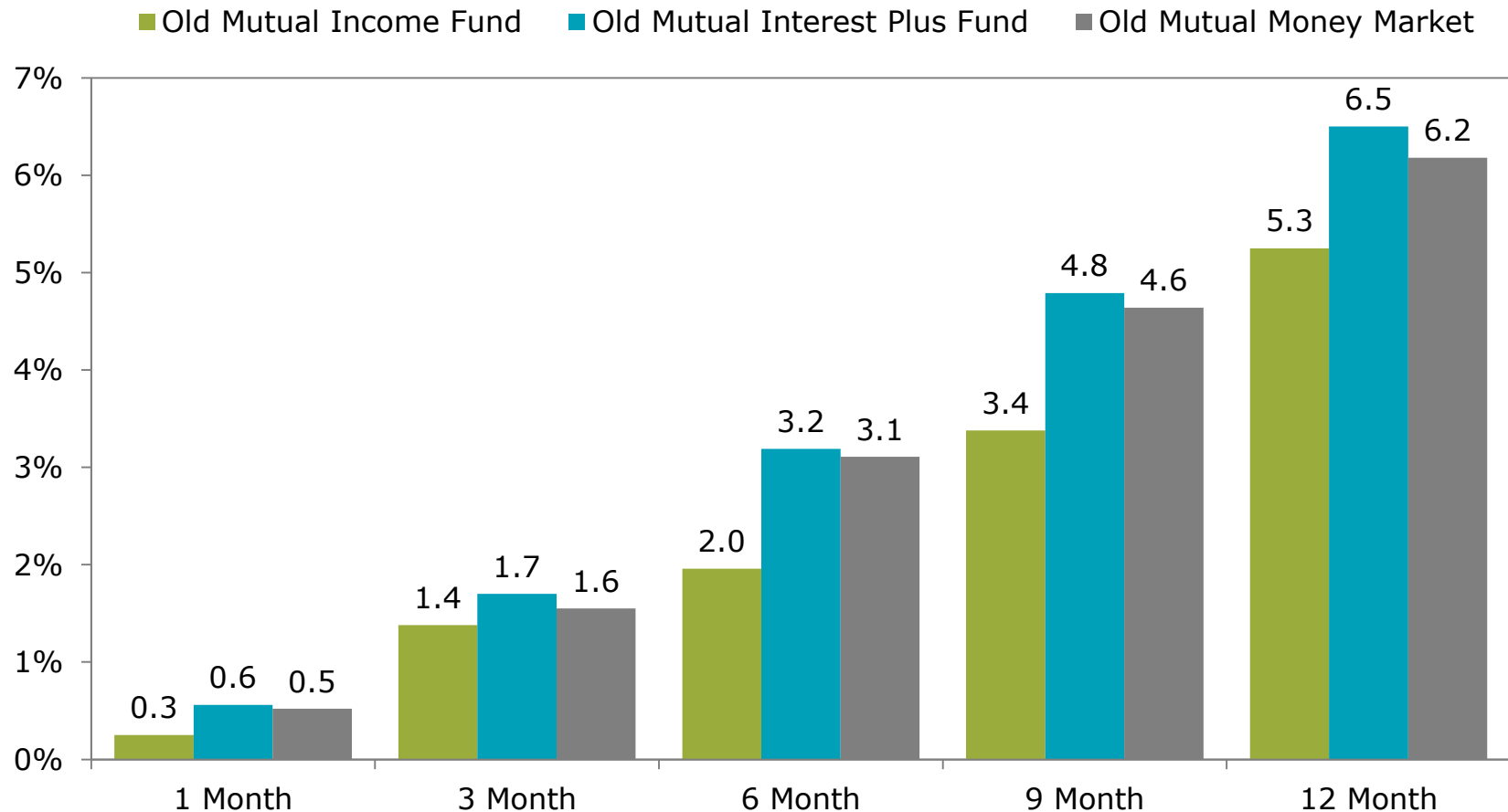
Fund Name	Benchmark	Risk Objective	Minimum Investment Term	Minimum 12 month rolling return	Maximum 12 month rolling return
Old Mutual Money Market	(STeFI)	No negative months. Average weighted duration may not exceed 90 days.	< 1 Year	5.0%	12.2%
Old Mutual Interest Plus	STeFI + 0.75%	No negative months. Average weighted duration is 365 days.	< 1 Year	5.0%	6.2%
Old Mutual Income	80% STeFI 20% All Bond Index (ALBI)	No negative quarters. Average weighted duration is capped at a maximum of two years.	1 Year +	4.3%	14.8%
Old Mutual Enhanced Income	110% STeFI Call Deposit Index	No negative 6 months. No duration constraint.	2 Years +	2.5%	19.1%
Old Mutual Bond	ALBI (modified duration of ALBI at end of July 2013 was 6.0)	Average weighted duration may not exceed the ALBI duration by more than one year.	3 Years +	-2.3%	21.5%

# Old Mutual Interest Plus Fund

Fund Objective	
Performance target	STeFI + 0.75% over rolling one-year periods
Manager	Michael van Rensburg - Futuregrowth
Underlying assets	Money Market Instruments and Bonds. Maximum average weighted duration of 365 days.
Who should invest?	Risk-averse investors with a short-term investment horizon, requiring yields in excess of those on money market s. Require high liquidity from their investments and cannot tolerate high risk associated with income funds.
Investment Term	1 Years +
TER	0.64%

# Fund return comparison:

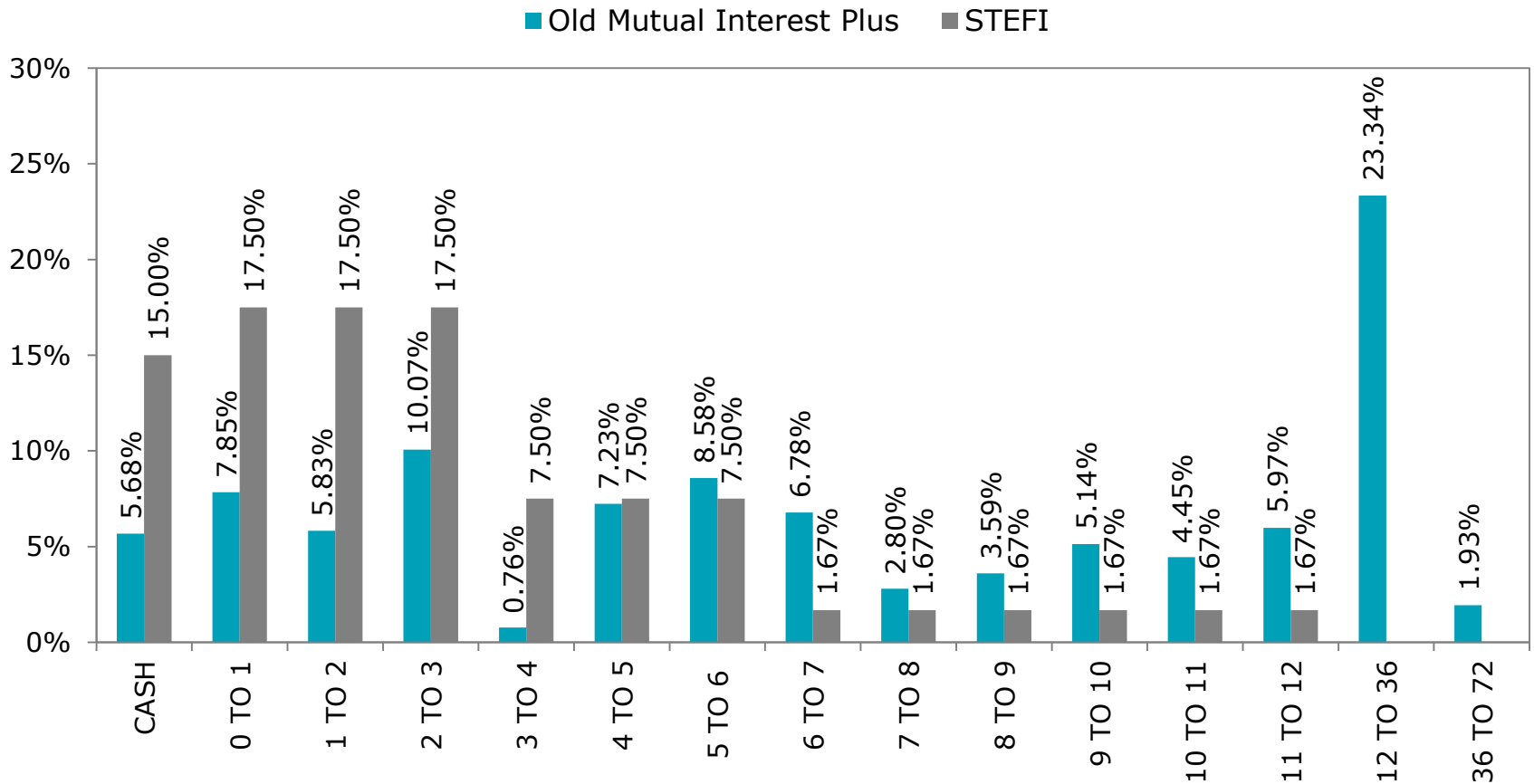
## Income Fund/Interest Plus/Money Market



Updated: 31 August 2015

Source: Old Mutual Investment Group | Nett of Fees

# Maturity profile (31 August 2015)



	all	<365 days	>365 days
<b>Jibar Linkers</b>	33.92%	9.90%	24.02%

Source: Futuregrowth



# Fund counter party exposure (31 August 2015)

Official Rating  
**AA-**

Issuer Type by Issuer	% Holding
Development Finance Institutions (DFI)	7.91%
Conduit	0.63%
Local Authority	0.10%
National Government Agency	2.56%
Bank	48.16%
SA Corporate	25.79%
Securitisation	6.96%
State Owned Enterprise	7.89%
<b>Grand Total</b>	<b>100.00%</b>

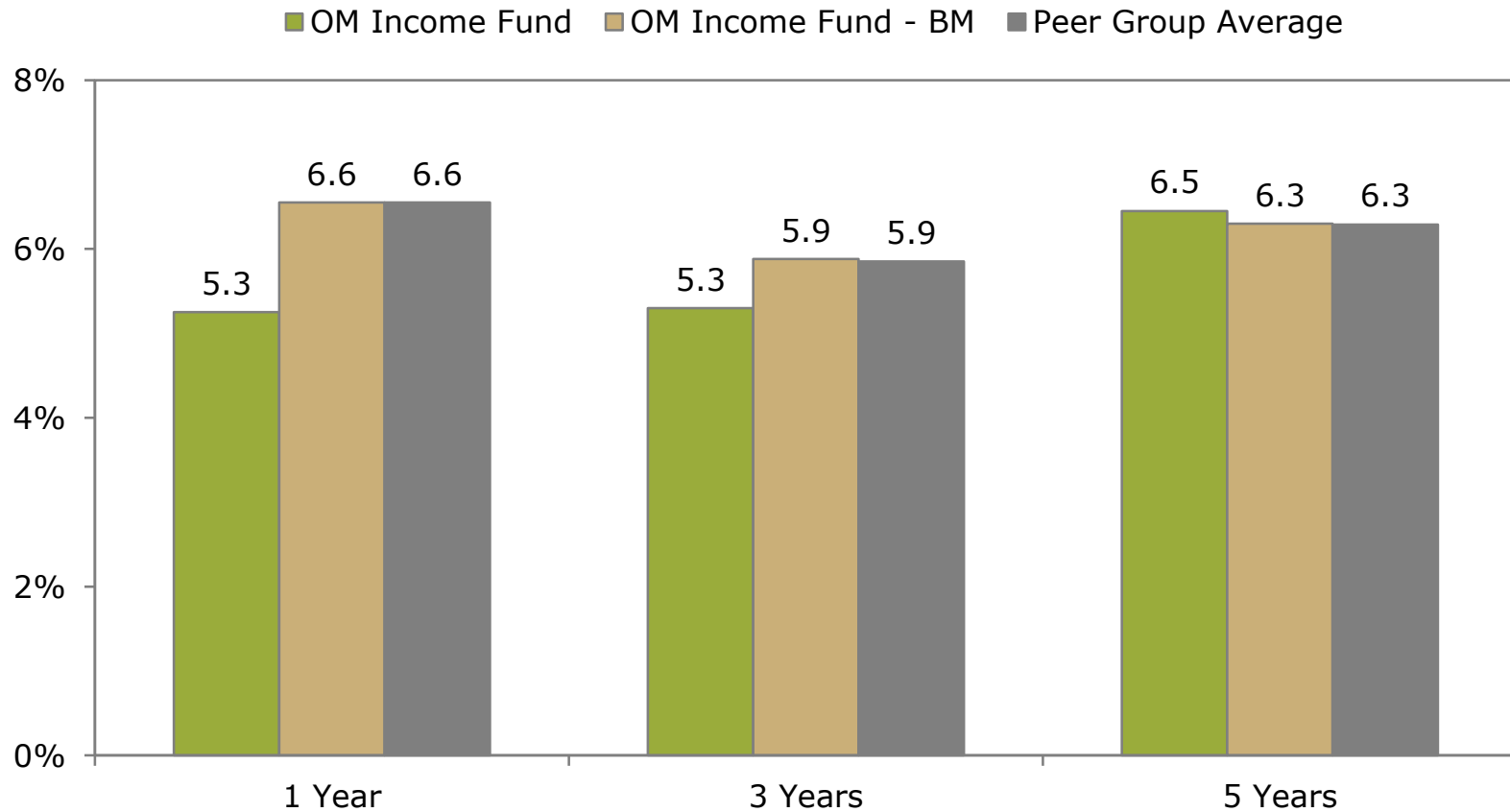
Source: Futuregrowth

# Old Mutual Income Fund

Fund Objective	
Performance target	80% STeFi Composite Index / 20% ALBI (Maximum 2 Year Duration)
Fund Manager	Wikus Furstenberg - Futuregrowth
Underlying assets	Cash; Money market instruments; Nominal and inflation-linked bonds
Who should invest?	Investors seeking higher level of income than money market funds with relative capital stability
Investment Term	1 year +
TER	0.87%

# Income Fund vs. BM and Peer Group Average

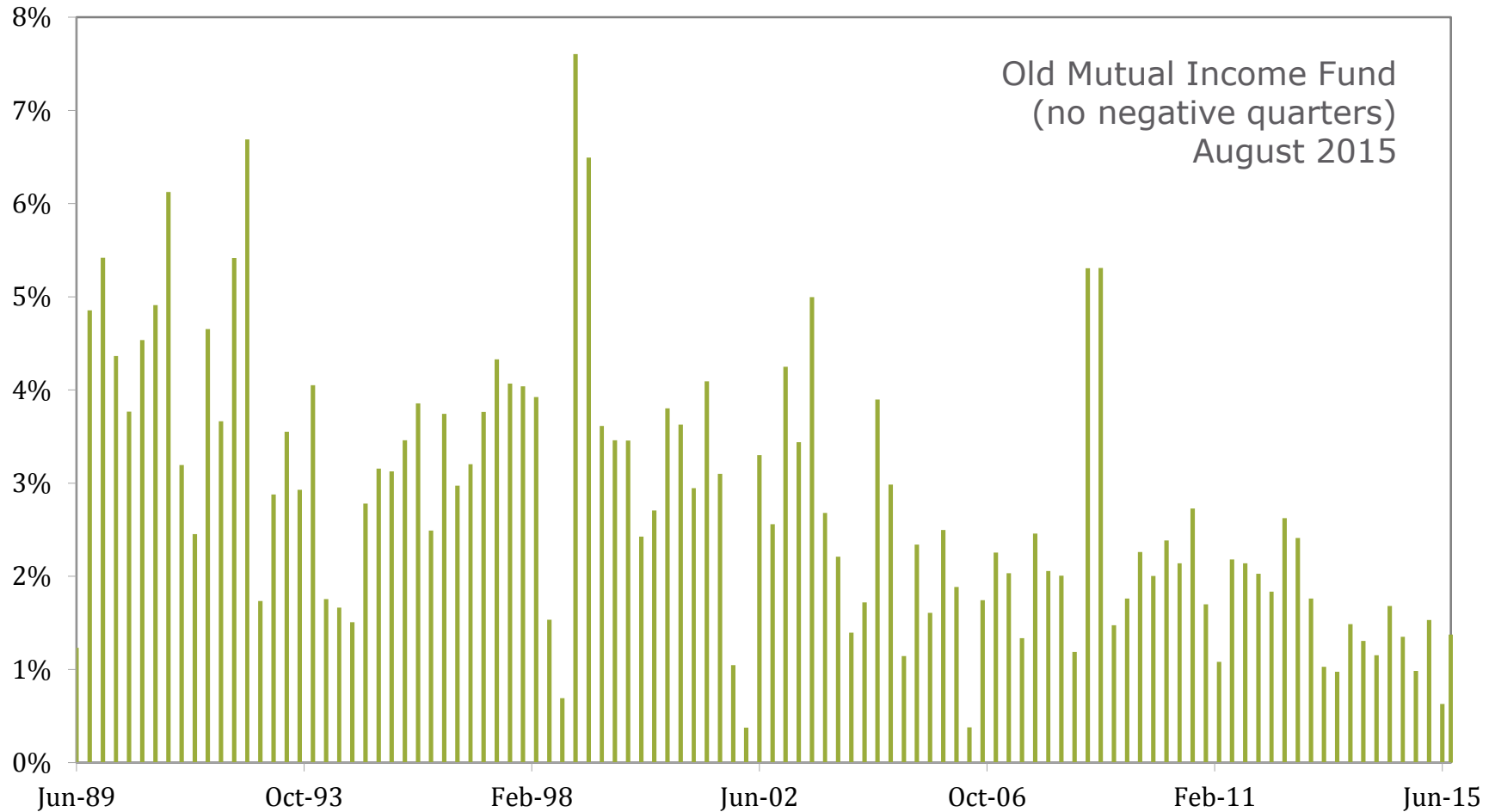
Period ended 31.08.15



Note: Peer Group: Domestic FI Income  
Returns: Nett of Fees & annualised  
Source: Old Mutual Investment Group

# Income Fund: Consistent delivery

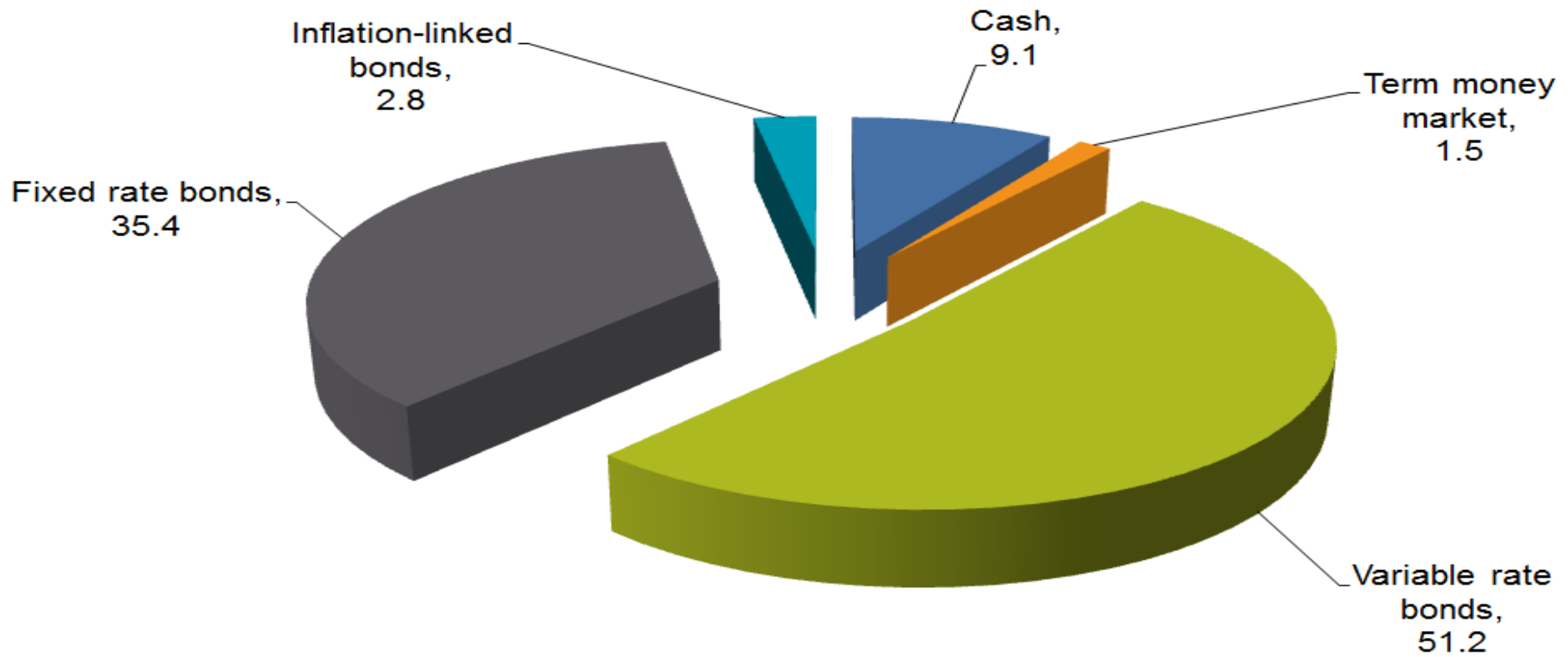
## Quarterly returns



Source: Morningstar

# Income Fund structure

As at 31.08.15



## Modified duration:

Total fund:	1.66
Excluding CPI-linked bonds:	1.30
Fixed rate bonds only:	4.52

Source: Futuregrowth

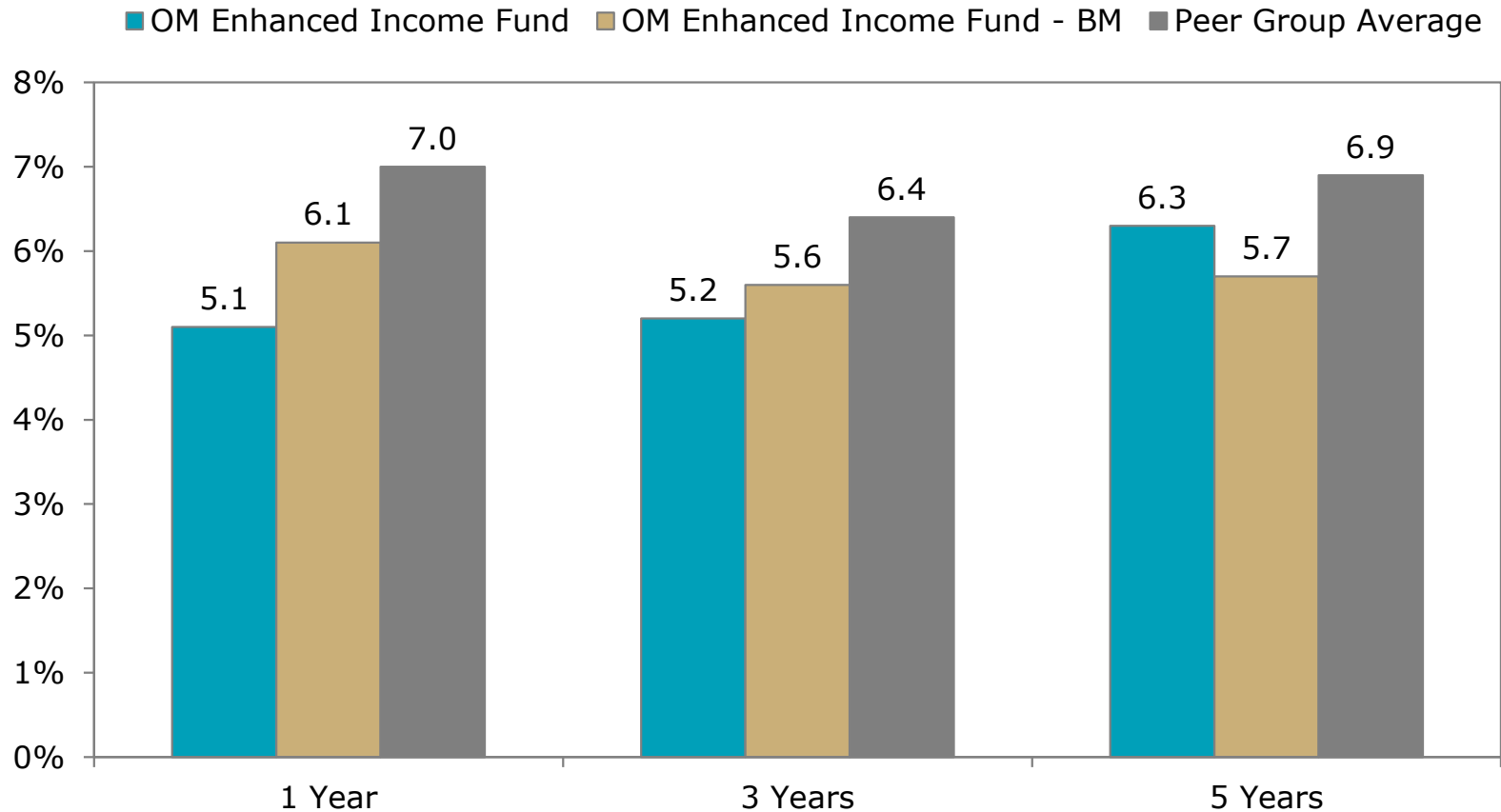
# Old Mutual Enhanced Income Fund

Fund Objective	
Performance target	110% STeFI (No Duration Constraint)
Fund Manager	Wikus Furstenberg - Futuregrowth
Underlying assets	Cash; Money market instruments; Nominal inflation-linked bonds; Preference Shares; Listed property
Who should invest?	Investors seeking higher income and returns than money markets over time
Investment Term	1 year +
TER	1.15%

Risk Stats	Fund	ALBI
Modified Duration	1.85	6.97
Standard Deviation (3 Yrs)	1.8%	7.5%
% Positive 6-month return	98.4%	82.2%

# Enhanced Income vs. BM and Peer Average

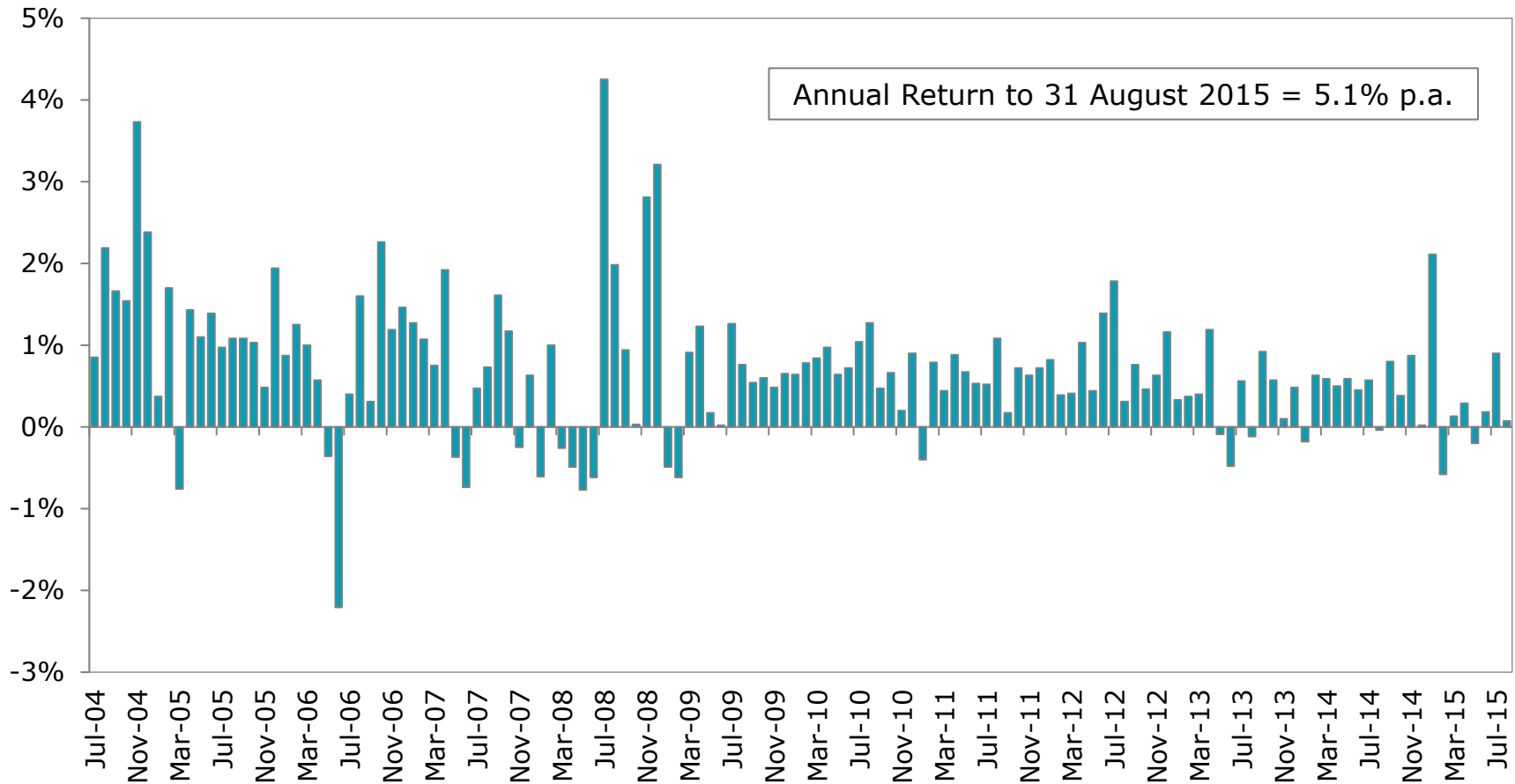
Period ended 31.08.15



Note: Peer Group: Domestic FI Varied Specialist  
Returns: Nett of Fees & annualised  
Source: Old Mutual Investment Group

# Moderate capital and income volatility

## Monthly returns from inception



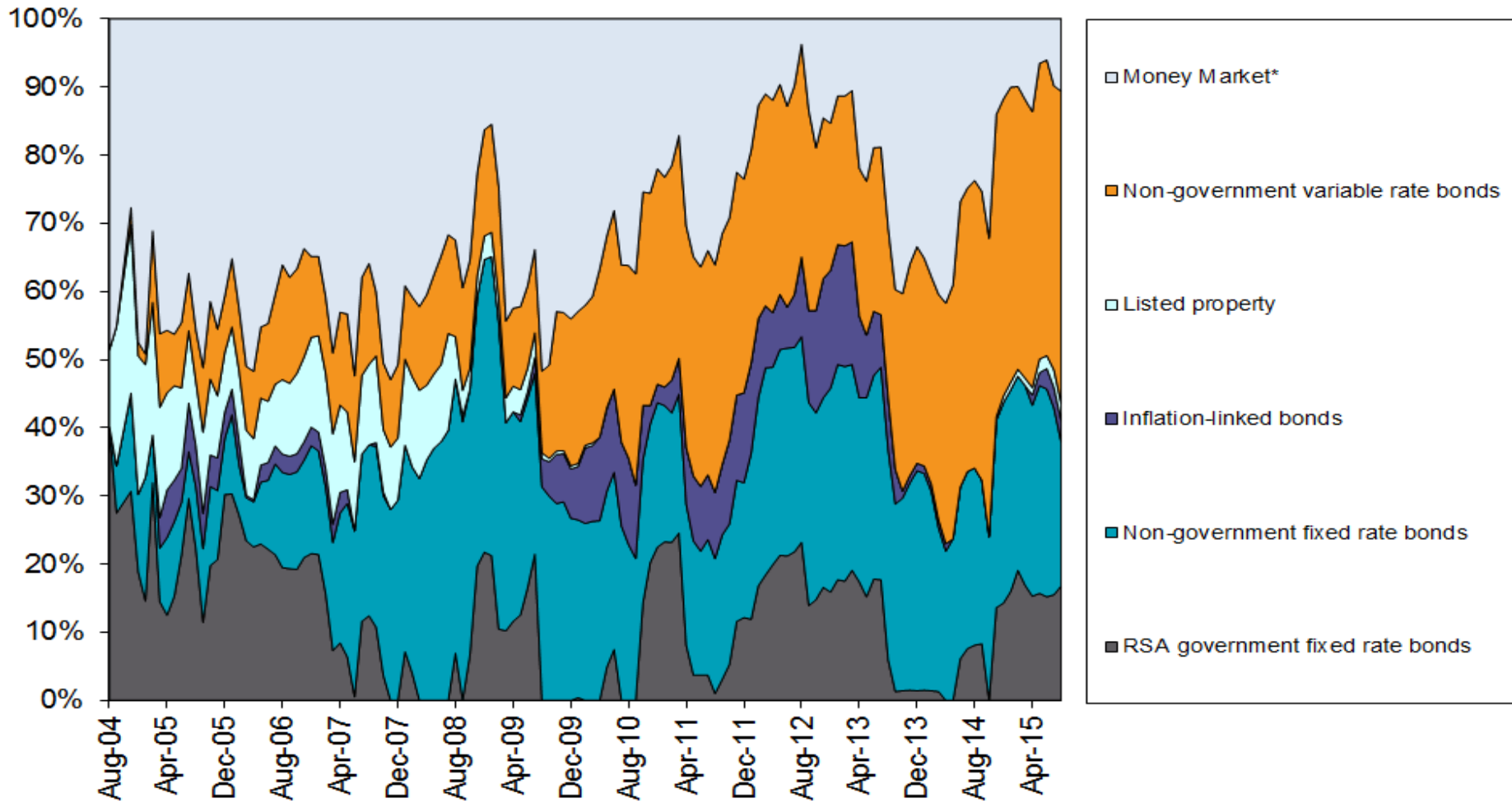
| Aim to limit negative returns to 3-months rolling

Source: Old Mutual Investment Group



# Enhanced Income Fund structure

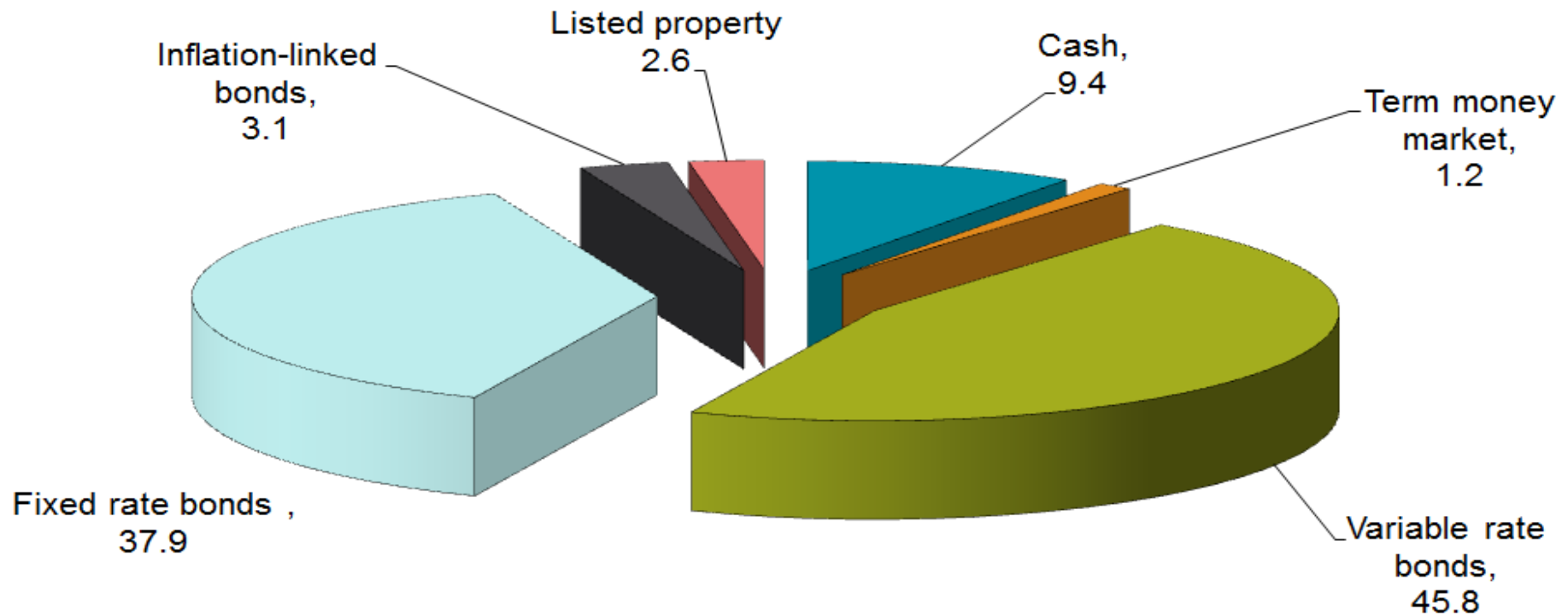
As at 31.08.15



Source: Futuregrowth

# Enhanced Income Fund structure

As at 31.08.15



## Modified duration:

Total fund:	2.23
Excluding CPI-linked bonds:	1.85
Fixed rate bonds only:	5.29

Source: Futuregrowth

# Drivers of our investment theme

## | Positive:

- | Persistent sub-trend growth – with pockets of strength (US, UK)
- | Moderate inflation (at worst) - with pockets of disinflation
- | Monetary policy divergence
  - | Large pool of central bank induced liquidity - and still rising (ECB, BOJ and number of smaller advanced economies where rates are cut)
  - | Steady monetary policy tightening (US, UK, SA)
- | Lower oil price and positive implication for SA terms of trade
- | Positive yield curve slopes

## | Negative

- | SA imbalances (low growth, rising inflation, high unemployment, wide deficits)
- | Funding of large CA deficit
- | Slow fiscal consolidation – with risk of slippage (downside GDP and tax revenues)
- | Rising inflation expectations (breached 6%, high wage settlements)

## | Risks

- | SARB fails to act on hawkish talk (credibility risk) despite rising inflation
- | Local economic growth falters badly; market prices policy pause/cuts + fiscal slippage = potential ratings downgrade

# Investment view

## | **Modest reflation/sub-trend growth**

- | Evidence of strong reflation trend is lacking
- | Pockets of deflation and a general fragile growth recovery

## | **Global monetary policy divergence**

- | US: “Crawl”-off [smaller rate hiking increments]
- | Eurozone, Japan, China and smaller advanced economies to retain easing mode

## | **Markets are anticipating reflation and policy tightening**

- | Yield curves have steepened in anticipation of rising inflation and policy tightening

# Investment strategy

## | General

- | Preference for variable over fixed rate (interest rate cycle and general level of real rates)
- | Preference for back end of yield curves (steep positively sloped curves against background of sub-trend growth and low to average inflation)
- | Buy bonds with low default risk into spread widening (SOE bonds with explicit government guarantee)

## | Money market funds

- | Preference for longer dated assets considering steep money market yield curve slope

## | Bond funds

- | Neutral/overweight modified duration;
- | Overweight cash
- | Underweight 1-12 year bonds
- | Overweight 12+ year bonds [increase in excess of 3% real yield]
- | Overweight inflation-linked bonds (40% of maximum) [look to reduce]

Thank You

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# Disclaimer

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 adviser fees is available from Old Mutual Unit Trust Managers Limited ("OMUT"). You may sell your investment at the ruling price of the day (calculated at 15h00 on a forward pricing basis. The Old Mutual Money Market Fund 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 units apply to these portfolios and are subject to different fees and charges.

The portfolio performances are calculated on a NAV-NAV basis and do 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. Performances are in ZAR. Sources: Morningstar and OMIG.