FINANCIALLY
TALKING

SEPTEMBER 2015

CONTENT

OLDMUTUAL

AN INNOVATIVE CHAPTER FOR **OLD MUTUAL UNIT TRUSTS**

KERRIN **SMITH** | DEPUTY CHIEF EXECUTIVE OFFICER, OLD MUTUAL WEALTH

Pieter Hugo resigned recently. He will be missed for his strategic thinking, business insights, broad-based skill set, work ethic, and passion for our business. I will be standing in for Pieter while we are evaluating our options regarding a replacement and we will communicate with you as soon as a new appointment has been made.

The past year has been an interesting ride for investors as they grappled with the Greek debt crisis, the US Federal Reserve's monetary tightening and global economic prospects.

Growth forecasts for 2015 and 2016 continue to be revised downwards. As an example, the SA Reserve Bank now forecasts 2.1% GDP growth for 2015, down from their forecast of 2.5% in December 2014. Similarly, the 2016 GDP growth forecast was cut from 2.9% to 2.1% over the same period. If anything, risks to these forecasts, which are in line with current market consensus forecasts, are skewed to the downside.

South Africa may be suffering currently, but glimmers of hope are starting to emerge that undermine the more negative perceptions plaguing the SA economy.

While local growth is struggling under the burden of issues such as electricity shortages, commodities under pressure and a weak rand, positive signs, such as an improving trade deficit and inflation figures, could be slightly buoying the economic outlook.

To learn more on how the current global economic environment impacts your investments, make sure you read Old Mutual Investment Group's Chief Economist and Sake24's Economist of the Year Rian le Roux's overview on page 4.

In a rapidly changing business and economic environment, innovation is core. We have introduced several changes in the past year to ensure that we stay relevant and remain the forward-looking partner you need today and in the future.

CHANGES TO OUR STRATEGY FUNDS INCLUDE:

- Balloting all investors in the Old Mutual Enhanced Income Fund and Old Mutual Real Income Fund. We believe we can improve the ability of the investors in the Old Mutual Enhanced Income Fund to meet the objective of a growing income stream over time by merging the fund into the Old Mutual Real Income Fund
- Introducing the Old Mutual Moderate Balanced Fund, our new fund designed to deliver inflation plus 3-4%
- Renaming the Old Mutual SYm|mETRY Fund range to Old Mutual Multi-Managers
- Changing the benchmark and performance target of the Old Mutual Multi-Manager Cautious Fund of Funds
- Launching two new multi-manager funds, namely the Old Mutual Multi-Manager Aggressive Balanced Fund of Funds and the Old Mutual Multi-Manager Maximum Return Fund of Funds.

Read more on the reasoning behind these changes on page 9.

TAX-FREE INVESTMENT (TFI)

We have successfully launched the Old Mutual Unit Trusts Tax-Free Investment, which takes into account all the regulatory and administrative details required to meet legislation. This enables you to save in a tax-free wrapper alongside your existing standard unit trust portfolio, to a maximum investment of R30 000 a year.

If you have not invested in this exciting product yet, you can do so online or by calling our Customer Service Centre. Alternatively, you can switch from your existing standard Old Mutual unit trust portfolio into a Tax-Free Investment account.

LOOKING AHEAD

We remain completely focused on understanding your goals and helping you reach them. Thank you for your continued support and trusting us to take care of your investments. I hope you find this an interesting read!

MARKET VOLATILITY **IN PERSPECTIVE**

August, traditionally a quiet and low liquidity month, has seen an indiscriminate sell-off on global markets, with investors displaying panic behaviour. Fears are that China's growth slowdown is worse than expected and authorities are not able to stabilise financial markets and stem the rout on the mainland stock exchanges (though the Shanghai Composite is still positive year on year). These doubts intensified after the surprise (but relatively small) yuan devaluation.

CHINA SLOWING, BUT STILL GROWING

China's economic growth rates have been slowing since 2011, but the market now appears fearful of a "hard landing", i.e. full-blown recession. These fears look overblown. The International Monetary Fund recently said it expected growth of 6.8% in 2015 and 6.3% in 2016. This slower growth is "better" growth since it is more sustainable and balanced.

The US economy is still growing around 2% per year and has made significant progress in lowering unemployment. Indeed, one of the factors adding to market volatility is the anticipation of interest rate increases in the US, but interest rate increases are a sign of the economy doing better, not worse. The Eurozone economy is also improving after lagging for years. Thus the US, Eurozone and China – the world's largest economies accounting for half of global gross domestic product – are growing. This does not look like 2008 when the global economy virtually came to a standstill overnight as financial markets and the banking system froze over.

EMERGING MARKETS UNDER PRESSURE

But are we perhaps not heading for a 1998 style Emerging Markets crisis? Emerging economies have come under pressure as commodity prices have fallen and Chinese growth slowed. A strengthening US dollar in anticipation of rising rates has also hurt those countries with large current account deficits. However, we believe emerging markets are much less vulnerable than in 1998 precisely because the lessons of that crisis have been taken on board: foreign exchange reserves have been bolstered and currencies now trade freely and act as shock absorbers. For instance, the SA Reserve Bank hiked the prime rate almost overnight to 25% in 1998 to protect the rand as the country ran out of foreign exchange reserves.

Emerging market assets have underperformed developed markets since 2011. Emerging market equities are trading at a 30% discount to developed markets, the largest since late 2005, based on 12-month forward price: earnings ratios. These equities are already priced for disappointment.

Similarly on the exchange rate front, most emerging market currencies are now very cheap on a real trade-weighted basis. As an example, South Africa's real effective exchange rate fell from being slightly above its long-term value in 2010 to currently more than one standard deviation below its long-term value. That doesn't mean it cannot depreciate further, but it has already fallen a lot and if circumstances improve, the currency can surprise on the upside from such bombed-out levels.

Investors have already drastically cut exposure to emerging markets. According to a Financial Times report, capital outflows from emerging markets have totalled $1 trillion over the past 13 months, double the outflows during the global financial crisis. The time to be most worried about an asset class is when it trades at a premium and investors have piled into it.

WHAT SHOULD INVESTORS DO?

Do not fight panic with panic. Investors need to remember that market volatility is normal, even though the events of the past few days have been extreme. Focus on your goals and the investment horizon attached to them. The time to change tack is when your personal circumstances have changed, not in response to market conditions. Drawing up a financial plan helps guide you through turbulent times; do not abandon your plan when markets are wobbling.

WHAT ARE WE DOING?

Market conditions, valuations and the economic outlook are continuously taken into account by the fund managers so financial planners and clients can focus on what matters most to them.

RATE HIKES AROUND THE GLOBE **UNNERVING INVESTORS**

RIAN **LE ROUX** | CHIEF ECONOMIST, OLD MUTUAL INVESTMENT GROUP

Over the past month, investors' focus was on three key issues: tensions and uncertainties around Greece's debt situation; the continued debate about the timing, speed and extent of US Federal Reserve (the Fed) policy tightening; and growing concerns over the state of the world economy. This incoming data was generally on the weak side and concerns over the slowdown in China mounted sharply.

Despite the Greek population voting overwhelmingly in favour of rejecting more austerity in their early-July referendum, the Greek government was, shortly thereafter, effectively forced into accepting this in exchange for more financial support from the European Union. Greece had to face a simple choice: accept the terms for financial support or leave the Eurozone. With banks closing and intensifying damage to the already severely depressed economy mounting rapidly, the Greek government agreed to the terms for further assistance. Concerns over the immediate risks to global financial markets due to Greece possibly exiting the common currency block and defaulting on large debt payments faded towards the end of June. Although the situation has calmed down, the problem has by no means been solved. Ultimately Greece will need considerable debt relief to make its debt situation sustainable. So, the Greek debt problem will likely raise its head again in future. Another concern is whether Greece will honour its obligations – as they have been rather poor at it so far.

EMPLOYMENT CASTS DOUBT ON RATE HIKE TIMING

As far as the Fed is concerned, incoming data on the real economy continues to support the case for the Fed lifting rates before the end of the year. More important, especially for the Fed, is that the labour market continued to tighten as job growth accelerated, with wage growth showing more signs of life and jobless claims remaining at multi-year lows. However, as the month drew to a close, the closely watched employment cost index, which covers both wages and benefits, slumped sharply in the second quarter, indicating that overall remuneration growth remains relatively weak. As a result, doubts were cast over the timing of the first hike in US interest rates, with many arguing that the latest data may well result in the start of the US rates "lift-off" being postponed to October or December. Still, the Fed is marching closer to the beginning of the hiking cycle and markets remain unnerved by the potential ramifications of rising US rates, especially given the vulnerabilities and weak growth elsewhere in the world.

Meanwhile, news from China remains poor as incoming data points to a renewed loss of growth momentum over the past few months. A recent survey among mostly private sector manufacturers found that sentiment has slumped to the lowest level in two years, raising concern that the policy measures implemented so far this year has had little effect in arresting the slowdown. Fears consequently mounted that the economy is heading for a harder landing than expected up to now.

Concerns over rising US interest rates, prospects for a renewed bout of strength of the US dollar and the slowdown in China had a very negative effect on commodity prices over the past month and prices slumped over a broad front. This makes it difficult to see a recovery anytime soon.

GLOBAL OUTLOOK

Global market sentiment is being dominated by the rise in US interest rates as well as the economic slowdown in China. The combination of these two forces is putting downward pressure on commodity prices and emerging market currencies, causing more difficult conditions for many developing countries.

RESERVE BANK RATE HIKE MIGHT NOT BE THE LAST FOR 2015

The main event on the local front over the past month was the decision by the South African Reserve Bank (SARB) to raise the repo rate by 25 basis points to 6.0%, with the banks' prime rate following suit and rising to 9.50%. While the SARB has been warning for some time that interest rates will have to rise further to counterbalance building underlying inflation pressures (because of the weaker rand and above-inflation wage settlements), the timing of the hike was not fully expected by market participants. This was largely because of increased expectations that the US Federal Reserve will delay the start of their hiking cycle to later than September, weak incoming local macroeconomic data, a downside surprise in inflation in June and a renewed decline in the oil price. Nevertheless, having warned endlessly about the need for higher local rates and concern over the impact on South Africa's ability to finance the still large current account deficit in the face of increasingly difficult global financing conditions, the SARB likely raised rates both as a pre-emptive measure and to protect its own credibility.

TRADE BALANCE BRINGS SOME CHEER, GROWTH OUTLOOK BLEAK

Economic data was mixed in June. On the positive side, the trade deficit recorded a second consecutive monthly surplus in June and inflation rose from 4.6% in May to 4.7% in June (notably less than the rise to 5.0% expected by market consensus). On the other hand, indicators of real economic activity remained soft with credit demand, especially from households, remaining very slow, car sales falling and the Reserve Bank's leading indicator index weakening even further – pointing to little chance of an acceleration in economic growth anytime soon. Indeed, growth forecasts for 2015 and 2016 continue to be revised downwards. As an example, the Reserve Bank now forecasts 2.1% GDP growth for 2015, down from their forecast of 2.5% in December 2014. Similarly, the 2016 GDP growth forecast was cut from 2.9% to 2.1% over the same period. If anything, risks to these forecasts, which are in line with current market consensus forecasts, are skewed to the downside.

GLOBAL FINANCING CONDITIONS WEIGH ON RAND

Returning to the trade balance, the improvement over the past few months is certainly comforting. We estimate that the recent improvement could narrow the current account deficit down to about 3.5% of GDP in the second quarter, from 4.8% in the first quarter and 5.5% in 2014. Although a smaller deficit shows that South Africa's foreign trade position is starting to improve, it might be hard to finance if global financing conditions were to tighten further when the US Fed decides to raise interest rates. The release of the favourable June trade balance had indeed little favourable impact on the rand in the days following its release. This highlights the ongoing vulnerability of the rand in the current difficult global circumstances of falling commodity prices and tightening global liquidity.

LOCAL OUTLOOK

Looking forward, we expect the SARB to raise interest rates again later in the year. The timing of such a move is hard to predict as the Reserve Bank made it clear after the July Monetary Policy Committee meeting that future decisions around interest rates are highly data dependent. Still, with the rand still under pressure, inflation likely to rise further through the remainder of the year, inflation expectations anchored at the top end of the target range and wage settlements well above the going rate of inflation, we would, at this stage, expect the SARB to raise rates at one of its remaining scheduled meetings in September and November. The actual timing will be highly dependent on incoming data. As far as 2016 is concerned, the trajectory of rates will also rely on the unfolding inflation outlook, with the rand, oil price and food inflation being the key drivers in this regard.

IN SUMMARY

- There's an ongoing debate about the timing, speed and extent of the US rate hiking cycle.
- Economic slowdown in China continues due to the loss of growth momentum over the past few months.
- The SARB may raise interest rates again later in the year. Due to a number of factors, there is little chance of any acceleration in economic growth anytime soon.
- The rand remains vulnerable in the current difficult global circumstances.

ASSET CLASS OUTLOOK **BROADLY UNCHANGED**

PETER **BROOKE** | HEAD OF MACROSOLUTIONS

Every six months we update our medium-term (five-year) asset class outlook. This outlook influences both our strategic and tactical investment decisions. We have made no material changes to our long-term expected real returns as we see the world broadly unchanged from the start of the year. Despite the unexciting global outlook and deterioration in South Africa's growth expectation, we think a portfolio including global equity, local bonds and some selected South African shares will deliver acceptable absolute returns.

ASSET CLASS COMMENTARY

SA economy: The South African economic growth environment is bleak, with global headwinds (such as weak commodity prices and a strong US dollar) and local self-inflicted capacity constraints (like the electricity crisis and cash-strapped parastatals).

Global economy: The world economy continues to muddle through in a Goldilocks fashion: not too hot and not too cold. There is sufficient growth (stimulus) to ensure we don't slump back into recession, but not enough to trigger interest rate hikes.

SA equity: The tough economic climate is making it extremely difficult for companies to deliver good earnings growth. As a result, we are much more cautious on SA equity than on global equity.

SA listed property: The sector continues to defy gravity, delivering excellent returns. Distribution growth has been good and our only concern is the higher valuations.

SA bonds: Given that we are probably entering a low-return environment, we find South African bonds surprisingly attractive. A steep yield curve should ensure that long-dated bonds deliver good returns despite interest rate hikes.

SA cash: The South African Reserve Bank has shown its inflation-fighting credentials, with a 25 basis point hike in interest rates. This is bad news for the economy, but good news for savers.

The rand: Our currency is caught between the conflicting currents of a bad thematic (macroeconomic) environment and cheap price. This means that it has moved sideways on a trade-weighted basis. We don't currently have a strong view on the rand, but believe the risk is to further weakening.

Global equities: Low inflation means lots of liquidity, which is good for growth assets. As a result, global equites remain our preferred asset class. We need better earnings growth to really deliver and are optimistic that Europe will see a cyclical recovery.

Global bonds: We retain our long-term bearish view on global bonds due to exceptionally low yields. However, we do expect them to be range bound as a result of the low levels of global growth and inflation.

Global cash: Despite an impending rate hike from the US Federal Reserve, global interest rates continue to fall as central banks around the world cut rates. Global cash remains trash.

LONG-TERM ASSET CLASS OUTLOOK

	Real return	View	Comment
SA		**Neutral**	**More balanced outlook**
Equity	5.0%	Neutral –	Key risk is earnings delivery as economy battles
Property	4.5%	Neutral	Growing risk following huge bull market
Bonds	2.5%	+	Lack of alternatives makes SA bonds attractive
Cash	0.5%	–	Hawkish Reserve Bank helps boost returns
International*		**Neutral**	**Maintain diversification for risk management**
Equity	5.0%	+	Best risk-adjusted returns
Bonds	-1.0%	–	Record low yields = low returns
Cash	-1.0%	–	Global cash remains trash

Note: These are long-term, real returns expected over the next five years, **as at 15 July 2015**. The international return expectations are quoted in US dollar terms; any REAL rand depreciation will add to domestic investor returns.

Source: MacroSolutions

Please be aware that there are risks in simply implementing these views into a portfolio without carefully considering the dynamic nature of the environment and how change impacts each asset class. As we continuously examine this environment, we have been very successful in converting our asset allocation outlook into performance for our investors.

IN SUMMARY

- Long-term asset class outlook has been updated.
- Earnings delivery is a key risk to SA equities.
- SA bonds surprisingly attractive in a low-return world.

INVEST WHERE THE **FUND MANAGERS INVEST**

Watch out for Old Mutual Investment Group's new TV ad in early September – Invest where the fund managers invest! This ad is one component of an exciting marketing campaign that highlights the commitment of our fund managers to your long-term success. They invest their own money alongside yours in the funds they manage, which means they are as invested as you are.

The marketing campaign also focuses on a few well-known Old Mutual Unit Trusts funds and the fund managers who look after them. These include the almost 50-year-old Old Mutual Investors' Fund (managed by Peter Linley, Old Mutual Equities), the consistently performing Old Mutual Balanced Fund (managed by Graham Tucker, MacroSolutions) and the multiple award-winning Global Equity Fund (managed by Ian Heslop, Old Mutual Global Investors).

So visit www.oldmutualinvest.com/asinvested to find out more about the funds we offer and to learn more about our featured fund managers. You can also read more on their passion for investments and how they make their investment decisions, as well as how they cope with volatile market conditions and what they consider to be investment success.

PETER **LINLEY**

"The principle of investing alongside our clients is a very important one because it clearly communicates that we believe in what we are doing. Effectively, I manage the Old Mutual Investors' Fund as if it is my own money because I do have a substantial amount invested in the fund. Not only am I aligned with my clients but it is very important, from my point of view, that our whole team is invested alongside clients. So every single member of the team also has a significant portion of their own money invested in the Old Mutual Investors' Fund. We have a very clear understanding of our clients because we are, in effect, clients ourselves."

BRIAN **PYLE**

"My key financial priority is to fund private school education for my kids and that means being able to afford education costs, which are running at 3% ahead of inflation. So to afford the best education, I need to earn a return that is significantly more than inflation and that is why I choose to invest 100% in equities. I get that by investing in the Old Mutual Investors' Fund."

GRAHAM **TUCKER**

"Portfolio managers are not paid to sleep well at night because what we do comes with a lot of responsibility. The best investment advice I ever received was that it is time in the market that counts, not timing, and therefore you need to be patient because investing is not a get-rich-quick scheme. By putting my money next to my clients' money in the Old Mutual Balanced Fund, I am not just making a decision on my clients' behalf but also on my own."

PETER **BROOKE**

"The best investment decision I made was to invest 100% of my preservation fund in my own fund, the Old Mutual Pinnacle Fund, when I joined Old Mutual ten years ago. I also have subsequently invested all of my bonuses in the Old Mutual Flexible Fund. The exceptional returns that these funds have delivered, together with the power of compounding, mean that the quality of my retirement will be materially enhanced."

WE HOPE OUR CAMPAIGN ENCOURAGES YOU TO **INVEST WHERE THE FUND MANAGERS INVEST!**

STRATEGY FUNDS – A COMPLETE INVESTMENT STRATEGY TO ACHIEVE **YOUR FUTURE FINANCIAL GOALS**

DARIUS **VAN DER WALT** | HEAD OF PRODUCT, OLD MUTUAL UNIT TRUSTS

Financial freedom is about more than just considering your wealth. It's about what makes you happy and having the ability to pursue your unique aspirations. To achieve your goals, you will need a strategy that delivers to your specific needs.

Our Strategy Fund range has been carefully constructed to deliver inflation-beating returns at an appropriate level of risk over different time horizons, to help you manage your wealth in one simple solution. Directly linked to the volatility you can expect, each of our funds is a complete investment strategy to achieve your future financial goals.

You can use our single or multi-managed funds as stand-alone funds, switching between them as your needs change, or as core elements of your portfolio, to which you can add tactical funds from our full fund offering.

BENEFITS OF OUR STRATEGY FUNDS

BROAD RESEARCH

Our range includes single and multi-manager fund options. Both have an important role to play to ensure that the funds are diversified and invested in the most appropriate combination of assets under varying market conditions. Our single manager, Old Mutual Investment Group, does extensive research into the market, determining the right blend of assets to meet the targeted outcome of each strategy. Our multi-manager, Old Mutual Multi-Managers, does detailed analysis on the underlying managers to ensure that their manager selection and allocation per asset class is appropriate to meet the strategy's goals.

CLIENT-CENTRIC

You can expect uncompromising client focus, because we do all the groundwork for you – understanding your needs and providing an appropriate fund range to meet your financial goals.

REDUCED RISK

You rest assured that the strategy fund selected is aligned to you investment objectives and there is a clear mapping of your investment goals to the funds. Rebalancing, asset allocation and manager selection in our multi-managed funds are also managed.

FOCUSED ON THE LONG TERM

You won't have to chase performance because the fund that you are invested in is designed to meet a specific goal over recommended minimum investment periods, and is actively managed to get there.

COMPREHENSIVE REPORTING

You will have access to detailed fund reporting via Minimum Disclosure Documents (MDDs).

ENHANCEMENTS TO OUR STRATEGY FUND RANGE

We constantly look for ways to improve our fund range and offer you the appropriate returns to meet your long-term goals. With this in mind, we've recently made a number of enhancements to our Strategy Fund range.

SINGLE MANAGED FUNDS:

- In our quest to offer a full fund range to meet all your needs, we have added the Old Mutual Moderate Balanced Fund to the Inflation Plus 3-4% strategy. This fund sits between the Old Mutual Stable Growth Fund and the Old Mutual Balanced Fund in our Strategy Fund range.
- We believe we can improve the ability of the investors in the Old Mutual Enhanced Income Fund to meet the objective of a growing income stream over time by merging the fund into the Old Mutual Real Income Fund. We will thus be balloting both funds in the coming months to enable this change.
- The fee basis of the Old Mutual Maximum Return Fund of Funds will be aligned with that of the other Old Mutual strategy funds.

MULTI-MANAGER FUNDS:

- Old Mutual SYm|mETRY fund range will be renamed to Old Mutual Multi-Managers.
- We have launched two new multi-manager funds, which will be the strategy funds in the Inflation Plus 5-7% and Maximum Return categories:
  - Old Mutual Multi-Manager Aggressive Balanced Fund of Funds: This multi-managed fund of funds aims to produce significant inflation-beating returns over the long term. This Regulation 28 compliant fund, by virtue of its aggressive balanced nature, is likely to have a higher average equity exposure than the exposure typically displayed by most other multi-asset high equity portfolios.
  - Old Mutual Multi-Manager Maximum Return Fund of Funds: This multi-managed fund of funds aims to generate the maximum possible investment return over a long-term investment horizon. While the fund's primary focus is on shares, nothing prevents the fund manager from gaining exposure to bonds, listed property, cash or other asset classes in order to maximise long-term growth. There is no minimum or maximum that the fund must hold in South African or international assets.
- The Old Mutual Multi-Manager Cautious Fund of Funds' benchmark and performance target will change from the STeFI Composite Index and STeFI Composite Index Plus 1-2%, to CPI and CPI Plus 2-3%.

Across our range, performance targets that are defined relative to inflation are expressed before fees. In future these will be expressed after retail fees.

HERE'S A LOOK AT THE IMPROVED STRATEGY FUND RANGE:

	CASH	ENHANCED INCOME	INFLATION PLUS 2-3%	INFLATION PLUS 3-4%	INFLATION PLUS 4-5%	INFLATION PLUS 5-7%	MAXIMUM RETURN
Single	OM Money Market Fund	OM Real Income Fund	OM Stable Growth Fund	OM Moderate Balanced Fund	OM Balanced Fund	OM Flexible Fund	OM Maximum Return Fund of Funds
Multi-Managed Funds	OM Multi-Manager Money Market Fund	OM Multi-Manager Enhanced Income Fund of Funds	OM Multi-Manager Cautious Fund of Funds	OM Multi-Manager Defensive Fund of Funds	OM Multi-Manager Balanced Fund of Funds	OM Multi-Manager Aggressive Balanced Fund of Funds	OM Multi-Manager Maximum Return Fund of Funds

The journey to achieving your financial goals starts with identifying your need. An appropriate strategy is then matched to your need. By choosing a specific strategy, you will have peace of mind knowing what to expect from the underlying funds over a period of time.

FOR MORE UNIT TRUST INFORMATION, PRICES AND NEWS, VISIT WWW.OMUT.CO.ZA.

Old Mutual Unit Trust Managers (RF) (Pty) Ltd (Registration no. 65/08471/07)
Mutualpark, Jan Smuts Drive, Pinelands 7405, South Africa | PO Box 207, Cape Town 8000, South Africa
Telephone no.: +27(0)21 503 1770 | Helpline: 0860 234 234 | Fax no.: +27(0)21 509 7100 | Internet address: www.omut.co.za
Email: unittrusts@oldmutual.com | Complaints: Write to our Client Services Manager at the above address or call 0860 234 234.
Compliance Department: +27(0)21 503 1770

THE IMPORTANCE OF KEEPING YOUR DETAILS **UP TO DATE**

BELINDA **DUFF** | CLIENT STAKEHOLDER MANAGER, OLD MUTUAL UNIT TRUSTS

From time to time your personal information may change. Make sure you don't miss out on important messages, updates or correspondence from us by keeping your physical, postal, email and telephone contact details up to date. All transaction statements, tax certificates and general communications are sent using your contact information on our records.

We need your correct cellphone number to ensure that you receive your SMS confirmations of transactions or notifications confirming that your personal or banking details have been updated.

If your details have changed, you can update them online on our secure site or on InfoSlips. You can also contact your financial adviser or the Old Mutual Unit Trusts service centre.

> There have been numerous regulatory and tax changes over the past few years leading to many changes to our forms. Please make sure you use the latest application forms from our website or your financial adviser when you make any changes to your investments or update your personal details, to avoid unnecessary delays.

REGULATORY CHANGES

There have been a few regulatory and tax changes that we would like to bring to your attention. These laws and regulations are set out to ensure that we as your Financial Service Provider (FSP) always have your up-to-date personal and tax details.

FICA: The **Financial Intelligence Centre Act** was introduced in 2001 and requires FSPs to obtain supporting documents that verify client information. For this reason, new investors and existing investors updating their details are required to supply a copy of their ID and a utility bill (less than three months old).

FATCA: The **Foreign Account Tax Compliance Act** is a United States-led tax compliance rule for financial institutions world-wide requiring us to search our records for suspected US persons and report their identities. The intergovernmental agreement between South Africa and the US requires the South African Revenue Service (SARS) to disclose specific information on our investors' accounts to the US tax body, the Internal Revenue Service (IRS). It is intended to detect and deter the evasion of US tax by US persons who hide money outside the US.

That is why we need your personal tax number for SARS tax reporting purposes. If you are registered for tax purposes in a foreign country, your foreign tax residency details are also required to be disclosed.

BRINGING EASE OF ACCESS AND SERVICING TOGETHER

At Old Mutual Unit Trusts the possibilities are endless for fast and easy access anytime, anywhere.

ONLINE SECURE SITE

Our personalised and convenient secure site gives you access to:

- View your full portfolio of unit trust investments
- Make informed investment decisions
- Buy, sell, and switch units (transact access)
- Update your personal details and income tax reference number.

If you are not registered yet, please go to www.omut.co.za and click on "Log in" for 24-hour access to your investments.

MOBILE SECURE SITE

Our mobi site offers value-added services at the flick of a thumb to view your full portfolio of unit trust investments. To view your investment information on your smartphone, visit www.omut.co.za and select "Unit Trusts" in the drop-down login menu.

CLIENT SERVICE CENTRE 0860 234 234

You may also contact our service centre Monday to Friday from 8am to 5pm for assistance with updates to your personal details, unit trust portfolio information or to transact.

Old Mutual Unit Trusts InfoSlips – Making your life simpler and easier.

Receive your confidential and secure unit trust statement via email. All you need to do is follow a few easy steps:

- Change your correspondence preference to email.
- When you receive your first emailed statement from InfoSlips, take a few minutes to download the InfoSlips application.
- No additional downloads will be required, if you use the same computer or tablet.

IT'S SIMPLE AND SAFE

You are now set to view current and previous statements from Old Mutual Unit Trusts.

All InfoSlips statements sent to you are securely stored for you and you can access these at any time.

You can view your investment details whenever it's convenient for you and you don't have to always be connected to the internet to do so.

When you are connected you will be able to update your personal information directly and securely, including any updates and changes you wish to make to your debit orders.

INTERESTED?

First you need to change your correspondence preference to email: Contact our Client Service Centre at 0860 234 234 today. You will receive your next unit trust statement via email.

AWARDS

Each year builds on the successes of previous years, and we are proud to have reached new heights in the past year:

RAGING BULL

OLD MUTUAL GLOBAL EQUITY FUND

Raging Bull Award For: Top Performance by a Domestic Collective Investment Scheme for the three-year period ended 31 December 2014 for Best (SA-Domiciled) Global Equity General Fund.

Certificate Award For: Best Performance on the basis of Risk-adjusted Returns by a Domestic Collective Investment Scheme for the five-year period ended 31 December 2014 in the category (SA Domiciled) Global Equity General.

OLD MUTUAL INTERNATIONAL GROWTH FUND OF FUNDS

Certificate Awards For: Top Performance by a Domestic Collective Investment Scheme for the three-year period ended 31 December 2014 in the category (SA-Domiciled) Global Multi-Asset Flexible.

Best Performance on the basis of Risk-adjusted Returns by a Domestic Collective Investment Scheme for the five-year period ended 31 December 2014 in the category (SA-Domiciled) Global Multi-Asset Flexible.

MORNINGSTAR AWARDS

OLD MUTUAL GLOBAL EQUITY FUND

Morningstar category award for: Best risk-adjusted performance within the Global Equity category, based on one-, three- and five-year performance periods, as well as risk measures, to 31 December 2014.

OLDMUTUAL

STATUTORY INFORMATION

We aim to treat our customers 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 planner before buying or selling unit trusts. You may, however, buy and sell without the help of a financial planner. If you do use the services of a planner, we remind you they are entitled to certain negotiable planner fees or commissions.
- The fund 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 on our public site, or from our contact centre.
- You should ideally see unit trusts as a medium- to long-term investment. This means you should hold them for at least five years to give them the opportunity to grow. 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 the return on 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 transactions (e.g. buying and selling) is at 15:00 each working day for all funds, except the Money Market Funds, whose price is set daily at 13:00. These are also the times that we value our funds to determine the daily ruling price (other than at month-end when we value the Old Mutual RAFI® 40 Tracker Fund, Old Mutual Top 40 Fund and Old Mutual SYm|mETRY Equity Fund of Funds at 17:00). Daily prices are available on the OMUT website and in the media.
- Unit trust funds may borrow to fund client disinvestments and engage in scrip lending.
- Old Mutual is a member of the Association of Savings & Investment South Africa (ASISA).

Money market portfolio

A Money Market Fund is not a bank deposit account. Its unit price aims to be static but investment capital is not guaranteed. The total return is primarily made up of interest (declared daily at 13:00) 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.

a. The published yield is calculated using the average of the fund's previous seven days' net income (and assumes all income was reinvested). This figure is then annualised.
b. Excessive withdrawals from the fund may place the fund under liquidity pressures. In such circumstances a process of ring-fencing of withdrawal instructions and managed payouts over time may follow.

Income funds

c. Income funds derive their income from interest-bearing instruments as defined. The yield is a current yield and is calculated daily.

Fund of funds

As there is a two-tier structure for investments in a fund of funds, and each tier has its own charges, a fund of funds may have a higher fee structure.

Feeder fund

As there is a two-tier structure for investments in feeder funds, and each tier has its own charges, feeder funds may have a higher fee structure.

Funds with foreign assets

This fund holds assets in foreign countries and therefore there may be risks regarding liquidity, the repatriation of funds, the political and macroeconomic situation, foreign exchange, tax, settlement, and the availability of information. Please contact us for risks specific to each country.