

PERFORMANCE FEES CHARGED ON OLD MUTUAL UNIT TRUST FUNDS

WHY IS A PERFORMANCE FEE CHARGED?

A performance fee provides an additional incentive for the fund manager to improve, deliver and maintain long-term performance. This means charging lower fees when performance is poor and higher fees when performance is good, to align the interests of the fund manager and the investor.

WHICH OLD MUTUAL UNIT TRUST FUNDS CHARGE PERFORMANCE FEES?

The only fund that currently charges performance fees is the Old Mutual Global Emerging Market Fund.

These funds stopped charging performance fees as from 1 January 2017:

- Old Mutual Managed Alpha Equity Fund
- Old Mutual Growth Fund
- Old Mutual Investors' Fund
- Old Mutual Top Companies Fund

* See the 'Additional notes' section in this document for a list of funds that stopped charging performance fees as from 1 January 2015.

WHAT ARE THE MINIMUM FEES FOR THE RELEVANT FUNDS AND CLASSES?

FUND NAME	CLASS	MINIMUM SERVICE FEE (INCL. VAT)
Old Mutual Global Emerging Market Fund	Class A	1.71%
Old Mutual Global Emerging Market Fund	Class B1	1.25%

WHAT ARE THE FEE DETAILS FOR THE RELEVANT FUND'S CLASSES?

FUND NAME	CLASS	MINIMUM SERVICE FEE (INCL. VAT)	BASE/SERVICE FEE (INCL. VAT)	MAXIMUM FEES (INCL. VAT)
Old Mutual Global Emerging Market Fund	Class A	1.71%	1.71%	3.42%
Old Mutual Global Emerging Market Fund	Class B1	1.25%	1.25%	2.96%

WHAT ARE THE FEES AT BENCHMARK FOR THE RELEVANT FUNDS AND CLASSES?

The fee at benchmark is the annual service fee that will be charged when the fund's performance is equal to the benchmark.

FUND NAME	CLASS	FEE AT BENCHMARK (INCL. VAT)
Old Mutual Global Emerging Market Fund	Class A	1.71%
Old Mutual Global Emerging Market Fund	Class B1	1.25%



WHAT ARE THE MAXIMUM FEES FOR THE RELEVANT FUNDS?

FUND NAME	CLASS	MAXIMUM FEES (INCL. VAT)
Old Mutual Global Emerging Market Fund	Class A	3.42%
Old Mutual Global Emerging Market Fund	Class B1	2.96%

AT WHICH PERFORMANCE LEVEL (ALSO CALLED THE FEE HURDLE) WILL THE MANAGER CHARGE MORE THAN THE FEES AT BENCHMARK?

The manager will charge more than the fees at benchmark when the fund performance is in excess of the benchmark performance.

ARE THE FEE HURDLES THE SAME AS THE RELEVANT FUND BENCHMARKS?

Yes. The fee hurdle is the same as the benchmark for this fund, namely the MSCI Emerging Markets NR Index.

WHAT IS THE PERFORMANCE FEE MEASUREMENT PERIOD?

A rolling measurement period is used. The performance fee is calculated based on one-year performance, rolling daily.

WILL MORE THAN THE BASE FEE BE CHARGED REGARDLESS OF WHETHER THE FUND IS EXPERIENCING POSITIVE OR NEGATIVE PERFORMANCE OVER THE PERFORMANCE FEE MEASUREMENT PERIOD?

The rolling one-year period means that underperformance remains part of the fee calculation for up to a year. The same thinking is applied to outperformance the hurdle. If the fund underperforms the benchmark, only the base fee is charged. When it starts to outperform again, it first needs to overcome any underperformance that occurred during the last 12 months, before a performance fee will be charged again.

WHAT PORTION OF THE FUNDS' OUTPERFORMANCE WILL THE FUND MANAGER BE ENTITLED TO SHARE, SHOULD THE FUNDS PERFORM ABOVE THEIR FEE HURDLES (ALSO CALLED THE SHARING RATIO)?

For every 1% of outperformance, Old Mutual retains 0.15% and the investor receives 0.85%.

WHAT FEE RATE WILL BE CHARGED IF THE FUND DELIVERS THE FOLLOWING RELATIVE PERFORMANCE OVER ITS PERFORMANCE MEASUREMENT PERIOD:

- The fund performs 10% p.a. less than the performance fee benchmark
- The fund performs 5% p.a. less than the performance fee benchmark
- The fund performs in line with the performance fee benchmark
- The fund performs 5% p.a. more than the performance fee benchmark
- The fund performs 10% p.a. more than the performance fee benchmark

FUND	FEE HURDLE	PER ANNUM LESS THAN THE PERFORMANCE FEE BENCHMARK		IN LINE WITH THE PERFORMANCE FEE BENCHMARK	PER ANNUM MORE THAN THE PERFORMANCE FEE BENCHMARK	
		-10%	-5%	0%	+5%	+10%
Old Mutual Global Emerging Market Fund A	MSCI Emerging Markets NR Index	1.71%	1.71%	1.71%	2.56%	3.42%
Old Mutual Global Emerging Market Fund B1	MSCI Emerging Markets NR Index	1.25%	1.25%	1.25%	2.11%	2.96%

DO ANY OTHER CLASSES OF THE FUNDS CHARGE FIXED FEES INSTEAD OF PERFORMANCE FEES?

No other classes of the funds charge fixed fees.

ARE THE PERFORMANCE FEES ACCRUED DAILY (ALSO CALLED THE PERFORMANCE FEE ACCRUAL FREQUENCY)?

Performance fees are accrued daily in the fund price.

DO PERFORMANCE FEE ACCRUALS PERTAIN TO PERFORMANCE PERIODS MORE THAN A MONTH PRIOR TO ACCRUAL?

Yes. Because of the lagged 12-month performance fee measurement period, unit holders entering (or leaving) the fund in that period may pay for performance which is higher or lower than that which they have experienced.

IS A ROLLING MEASUREMENT PERIOD USED?

Yes. The performance fee is calculated based on one-year performance, rolling daily. The rolling one-year period performance remains part of the fee calculation for a year.

HOW OFTEN IS THE PERFORMANCE FEE PAID TO THE FUND MANAGER (ALSO CALLED THE PERFORMANCE FEE PAYMENT FREQUENCY)?

Performance fees are paid monthly (but accrued daily).

SHOULD THE FUND EXPERIENCE UNDERPERFORMANCE RELATIVE 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 period means that the underperformance remains part of the fee calculation for a year. The same thinking is applied to outperformance of the hurdle.

DOES PERFORMANCE IN EXCESS OF THE HURDLE NEED TO OVERCOME PRIOR UNDERPERFORMANCE (ALSO CALLED A HIGH WATER MARK SYSTEM)?

Yes, we do need to make up for underperformance in the last 12 months. However, we do not work on a high water mark system, as performance fees are not calculated since inception all the time.

WILL THE FUND'S PERFORMANCE AFFECT THE PERFORMANCE FEE?

At the very least, the minimum fee will be charged regardless of performance. The fund may charge a performance fee even if the performance is negative, as long as it outperformed the fee hurdle.

ARE FEES INCLUDED WHEN FUND PERFORMANCE IS CALCULATED?

The fund performance is calculated on a Net Asset Value (NAV) to NAV basis and therefore other fees and charges have already been accrued and present a net performance measure. This NAV includes previous performance fee accruals. The net performance measure will be compared to the performance fee benchmark without any adjustment for fees and charges.

DO ANY UNDERLYING FUNDS CHARGE IMPLICIT PERFORMANCE FEES?

The Old Mutual Global Emerging Market Fund does not currently hold underlying funds. However, should it invest in underlying funds that charge implicit performance fees (i.e. implicit in their unit prices), unit holders may carry these performance fees regardless of whether the top tier fund or mandate has outperformed its own performance fee benchmark. Certain underlying funds in our Fund of Funds range charge performance fees, but as the investment percentage to each underlying fund can vary over time, we have not included the detail in this document.

IS THE PERFORMANCE FEE INCLUDED IN THE TOTAL EXPENSE RATIO (TER)?

Yes, performance fees are reflected in a fund's TER. The TER will be lower if the fund performs below its benchmark and higher if it outperforms the benchmark. The performance fee portion of the TER is included in the fees and charges section of the funds' minimum disclosure documents. The TER is calculated over a rolling three-year period, coinciding with a calendar quarter-end and annualised. Prior to 1 January 2016, TERs were calculated over a rolling one-year period.

FUND NAME	PERFORMANCE FEES (AS AT DECEMBER 2016)
Old Mutual Global Emerging Market Fund A	0.92%
Old Mutual Global Emerging Market Fund B1	0.89%

* ADDITIONAL NOTES:

These funds stopped charging performance fees as from 1 January 2015:

- Old Mutual Balanced Fund
- Old Mutual Capital Builder Fund
- Old Mutual Dynamic Floor Fund
- Old Mutual Flexible Fund
- Old Mutual Stable Growth Fund

GLOSSARY OF PERFORMANCE FEE TERMS:

- **Performance Fee Benchmark:** This is the yardstick the performance of the fund is measured against. Each fund may only have one performance fee benchmark.
- **Fee Hurdle:** This is the level of performance the fund must achieve, prior to a fee higher than the Minimum Fee being charged. Fee Hurdle refers to the absolute hurdle (e.g. ALSI + 2% per annum) and not only the threshold (e.g. 2% per annum), and should be linked to the Performance Fee Benchmark.
- **Performance Fee Measurement Period:** The period for which the fund performance is compared to the Fee Hurdle, each time the fee is accrued.
- **Sharing Ratio:** The percentage of performance, relative to the Fee Hurdle, that the manager is entitled to receive as a fee.
- **High Water Mark:** The highest level of relative outperformance of the fund over the Fee Hurdle since inception of the fund.
- **Reset:** In performance fee structures with a high water mark, the reset of the high water mark occurs when a performance fee is triggered.
- **Performance Fee Accrual Frequency:** This is the frequency at which provisions are made in the fund prices in order to allow for fees in excess of the Minimum Fee.
- **Performance Fee Payment Frequency:** This is the frequency at which the amounts provided in the fund in respect of fees in excess of the Minimum Fee are transferred from the fund to the manager.
- **Base Fee:** This is the portion of the annual management fee charged before any performance is taken into account.
- **Fee at Benchmark:** This is the annual management fee that will be charged when the fund's performance is equal to the Performance Fee Benchmark over the Performance Fee Measurement Period.
- **Minimum Fee:** This is the minimum annual management fee that may be recovered from the fund by the manager.
- **Maximum Fee:** This is the maximum annual management fee that may in any instance be recovered from the fund by the manager. This fee includes the Base Fee and all performance fee elements.
- **Total Expense Ratio (TER):** This is a measure of the costs associated with managing and operating an investment fund, giving investors an indication of the effects that these costs have on the growth of their investments.

$$\text{TOTAL EXPENSE RATIO (\%)} = \text{COSTS} / \text{TOTAL ASSETS}$$

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