OLD MUTUAL BALANCED FUND

JANUARY 2019

FUND INFORMATION

RISK PROFILE

Low	Low to Moderate	Moderate	Moderate to High	High

RECOMMENDED MINIMUM INVESTMENT TERM

1 year+	3 years+	5 years+

FUND OBJECTIVE

This fund aims to achieve long-term inflation-beating growth. The fund has a growth asset bias and will invest more heavily in shares. The portfolio manager actively allocates to other asset classes to take advantage of changing market conditions and to manage the fund's volatility.

WHO IS THIS FUND FOR?

This fund is suitable for investors wanting moderate to high long-term growth, with less volatility in the short term than pure equity. It is suitable as a stand-alone retirement investment.

INVESTMENT MANDATE

The fund is exposed to all sectors of the market (shares, bonds and property) and may gain exposure to foreign assets up to a maximum of 30% of its portfolio (with an additional 10% for African ex-SA investments). Derivatives may be used for efficient portfolio management purposes.

REGULATION 28 COMPLIANCE

The fund complies with retirement fund legislation. It is therefore suitable as a stand-alone fund in retirement products where Regulation 28 compliance is specifically required.

BENCHMARK:	CPI
PERFORMANCE TARGET:	CPI + 4% to 5% p.a. (net of fees)

Performance is targeted over the recommended minimum investment term and is not guaranteed.

ASISA CATEGORY:	South African – Multi-Asset – High Equity
FUND MANAGER(S):	Graham Tucker & Warren van der Westhuizen (Old Mutual Investment Group – MacroSolutions)
LAUNCH DATE:	01/03/1994
SIZE OF FUND:	R17.5bn

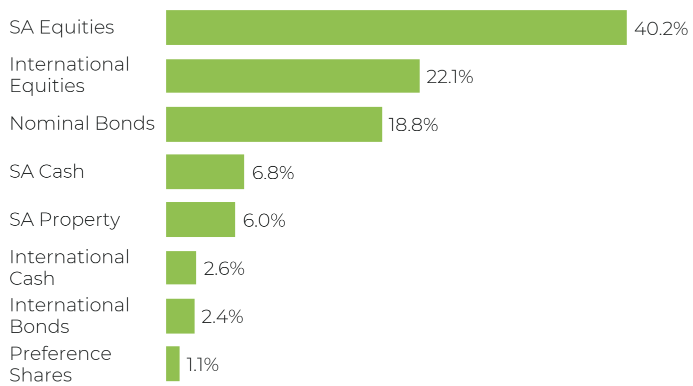
DISTRIBUTIONS: (Half-yearly)*

Date	Dividend	Interest	Total	Total %
31/12/2018	7.64c	13.17c	20.81c	1.36%
30/06/2018	7.04c	11.61c	18.65c	1.17%

* Class A fund distributions

FUND COMPOSITION

ASSET & PERCENTAGE ALLOCATION



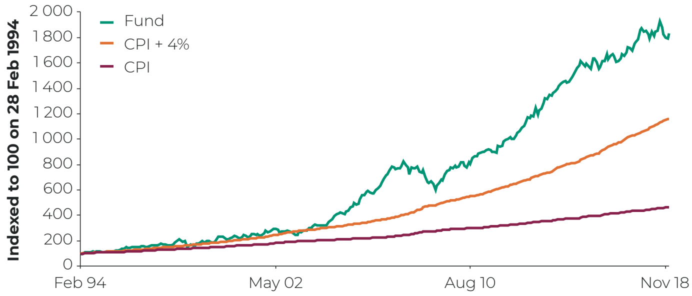
FUND PERFORMANCE as at 31/01/2019

	% PERFORMANCE (ANNUALISED)					
	1-Yr	3-Yr	5-Yr	7-Yr	10-Yr	Since Inception[1]
Fund (Class R)	-0.9%	5.6%	6.5%	9.3%	11.0%	12.4%
Fund (Class A)[2]	-1.3%	5.3%	6.0%	8.6%	10.3%	-
Fund (Class B1)[3]	-0.9%	5.7%	6.4%	-	-	-
Benchmark*	4.5%	5.3%	5.3%	5.4%	5.3%	6.3%

* The CPI figures are lagged by one month as the number was calculated before this month's inflation rate was released.
[1] Performance since inception of the fund.
[2] Inception: 30 June 2007.
[3] Inception: 31 October 2012. Class B1 Fund is only available through investment platforms such as Old Mutual Wealth.
Performance measurements over periods shorter than the recommended investment term may not be appropriate. Past performance is no indication of future performance. Fund returns are net of fees and measured against the benchmark.

Rolling 12-Month Return	Highest	Average	Lowest
Fund (Since Inception)	45.5%	13.1%	-23.2%

Performance Since Inception

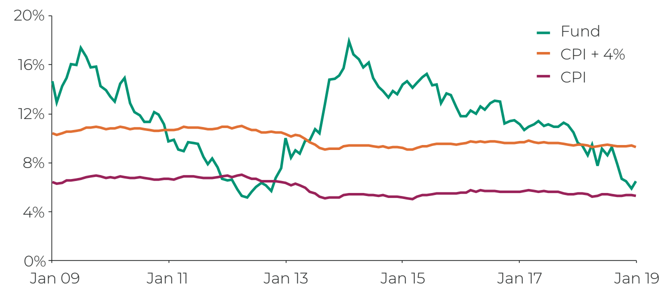


Past performance is no indication of future performance.

Risk Statistics (Since Inception)	
Maximum Drawdown	-29.1%
Months to Recover	17
% Positive Months	64.9%
Annual Standard Deviation	12.3%

Risk statistics are calculated based on monthly performance data from inception of the fund.

5-Year Annualised Rolling Returns (Fund vs Benchmark/Performance Target)



PRINCIPAL HOLDINGS as at 31/12/2018

HOLDING	% OF FUND
R2032 8.25% 31/03/2032	6.3%
R186 10.5% 21/12/2026	4.5%
Naspers Ltd	3.7%
R2035 8.875% 28/02/2035	3.5%
Sasol Ltd	2.8%
Nedbank Group Ltd	2.6%
ABSA Group Ltd	2.5%
Standard Bank Group Ltd	1.8%
British American Tobacco	1.8%
MTN Group Ltd	1.8%

THIS IS THE MINIMUM DISCLOSURE DOCUMENT AS REQUIRED BY BOARD NOTICE 92

Funds are also available via Old Mutual Wealth and MAX Investments.

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OLD MUTUAL BALANCED FUND

JANUARY 2019

FUND MANAGER INFORMATION

GRAHAM TUCKER | PORTFOLIO MANAGER
- BSc Actuarial Science (Hons), CFA
- 18 years of investment experience

WARREN VAN DER WESTHUIZEN | PORTFOLIO MANAGER
- BCom (Hons), CFA
- 18 years of investment experience

FUND COMMENTARY as at 31/12/2018

Investors experienced very low volatility in the years leading up to 2018, but market action in 2018 has shaken them out of that comfort zone. The year started off well enough, with global equities up nearly 5% in US dollars in January 2018, but there was little to celebrate from that point on as wave after wave battered risk assets. Global equities ended the year 9% down in US dollars, while local equities were 11% lower in rand terms and the rand weakened 16% against the US dollar.

Many would fault rising trade tensions, Chinese growth slowing, country-specific crises (such as what we observed in Turkey and Argentina) and stock-specific problems (such as the US Food and Drug Administration (FDA) versus British American Tobacco, the unravelling of the Steinhoff debacle and MTN's Nigeria woes) for this outcome. While each of these likely weighed on investor sentiment, the underlying issue as we see it was the withdrawal of global liquidity, primarily through the US Federal Reserve (the Fed) unwinding quantitative easing and raising short-term interest rates. The reason for the Fed taking this action is understandable – the US economy was growing rapidly, unemployment was falling to very low levels and they needed to manage the risk of their economy overheating, which, if left unchecked, would likely lead to a hard landing in the years ahead. With the benefit of hindsight, investors were ill-prepared for the change in liquidity conditions. In addition, the valuation underpin for many assets has disappeared in recent years – it's easier for expensive assets to fall when conditions become less favourable.

Locally, the initial bout of Ramaphoria fizzled out fairly early in the year as it dawned on the market that South Africa's recovery was perhaps a bit further out than expected. While Cyril Ramaphosa was able to move swiftly early in the year, it is near impossible to undo the damage of the past decade in a few short months. This realisation, combined with global concerns, tighter liquidity and stock-specific news, saw increased volatility in local assets. Many of the local equity market heavyweights fell sharply in the year. For instance, Naspers was down 16%, Richemont was 14% lower and British American Tobacco fell 40%. Property, a much-loved asset class in recent years, experienced poor performance, even after adjusting for the Resilient fall-out. It wasn't all bad news though. Following the pullback caused by the Viceroy report, Pepkor and Capitec were amongst the better performers. Local bonds held up well despite uncertainty around land reform and, more recently, Eskom.

Investors are no doubt very disappointed that none of the 25 largest balanced funds in the category delivered a positive return in 2018. These 25 funds averaged a fall of 3.8%, with the hardest hit falling 8.6%. Relative to this, the Old Mutual Balanced Fund delivered a reasonable outcome, as the fund fell approximately 3% over the year. While the negative result for the year is by no means pleasing, this relatively competitive result is largely attributable to the consistent implementation of our investment philosophy – resulting in the fund avoiding many of the poor stock-specific stories, such as Aspen and Resilient, and actively managing exposures, such as strategically reducing Naspers early in the year, buying more Capitec in the Viceroy-assisted correction and buying local bonds at attractive yields. We also reduced equity exposure ahead of the correction in the fourth quarter.

Although the fund has performed competitively, remaining top quartile over three years with a 4-star overall Morningstar rating, and has experienced less volatility than many of our peers, the absolute level of returns generated in recent years is disappointing. Markets have been turbulent and returns difficult to come by, the likelihood of which had been rising given the elevated returns achieved after the Global Financial Crisis. We are now seeing better value in select areas, meaning that we are more encouraged by the opportunities today than we were a year ago. That said, we are not out of the woods just yet.

We believe that South African assets look attractive from both a valuation and a macroeconomic perspective. Local bonds are offering very attractive real yields, while better economic growth should improve our fiscal stance. Within equities, the fund has exposure to banks and smaller industrial companies with a large local footprint. The rand is another means of expressing our positive view on South Africa. The fund has less rand-hedge exposure than what would be typical. Despite refreshed valuations, we have become increasingly more concerned about global equities, particularly the US, which makes up the vast majority of the global market. As such, we've been reducing our global equity exposure and building up our global fixed income weight.

We understand that this has been a difficult period for our clients. Given the circumstances, we believe that we have delivered good results in terms of relative performance and volatility experienced. Looking forward, in our view there are better returns in the medium term and we are actively managing the portfolio to capture these returns. At times like these, we must remind ourselves to stay the course rather than capturing the wrong side of volatility by de-risking.

Source: Old Mutual Investment Group as at 31/12/2018

OTHER INVESTMENT CONSIDERATIONS

MINIMUM INVESTMENTS:

· Monthly: R500 · Lump sum: R10 000 · Ad hoc: R500

INITIAL CHARGES (Incl. VAT)*:

There is no initial administration charge for investment transactions of R500 and above. Initial adviser fee will be between 0% and 3.45%.

Investment transactions below the R500 fund minimum incur a 2.30% administration charge.

* Please note: Initial charges do not apply to the Class B funds.

TAX REFERENCE NUMBER: 9440/007/60/8

ISIN CODES:		
	Class A	ZAE000097424
	Class B1	ZAE000171096
	Class R	ZAE000020780

ONGOING

	Class A	Class B1*	Class R
Annual service fees (excl. VAT)	1.30%	0.95%	1.00%

* Please note: The Class B1 Fund is only available through investment platforms such as Old Mutual Wealth.

The fee is accrued daily and paid to the management company on a monthly basis. Other charges incurred by the fund, and deducted from its portfolio, are included in the TER. These include the fees and costs relating to underlying global asset class exposures, which range between 0.20% and 0.50% as the fee for equity exposures is typically higher than the fee for fixed income or money market exposures. Old Mutual Balanced Fund A3 may pay 0.50% (excl. VAT) of its annual service fee as an ongoing adviser fee. A portion of Old Mutual Unit Trusts' annual service fees may be paid to administration platforms.

	36 Months			12 Months		
Total Expenses (Incl. Annual Service Fee) (30/09/2018)	Class A	Class B1*	Class R	Class A	Class B1*	Class R
Total Expense Ratio (TER) Incl. VAT	1.65%	1.25%	1.30%	1.64%	1.24%	1.30%
Transaction Cost (TC)	0.11%	0.11%	0.11%	0.10%	0.10%	0.10%
Total Investment Charge	1.76%	1.36%	1.41%	1.74%	1.34%	1.40%

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TER is a historic measure of the impact the deduction of management and operating costs has on a fund's value. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER, which includes the annual service fee, may not necessarily be an accurate indication of future TERs. Transaction Cost (TC) is a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER.

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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 planner before buying or selling unit trusts. You may, however, buy and sell without the help of a financial planner. If you do use a planner, we remind you that they are entitled to certain negotiable planner fees or commissions.
- 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.
- The fund fees and costs that we charge for managing your investment are disclosed in this Minimum Disclosure Document (MDD) and in the table of fees and charges, both of which are available on our public website or from our contact centre.
- Additional information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained, free of charge, from Old Mutual Unit Trust Managers (RF) (Pty) Ltd, from our public website at www.omut.co.za or our contact centre on 0860 234 234.
- Our cut-off time for client instructions (e.g. buying and selling) is at 15:00 each working day for all our funds, except the Money Market Funds, the price of which is set at 13:00. These are also the times we value our funds to determine the daily ruling price (other than at month-end when we value the Old Mutual Index Funds and Old Mutual Multi-Managers Fund of Funds range at 17:00 close). Daily prices are available on the public website and in the media.
- Unit trusts are traded at ruling prices, may borrow to fund 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 on issue.
- This fund holds assets in foreign countries and therefore it may have risks regarding liquidity, the repatriation of funds, political and macroeconomic situations, foreign exchange, tax, settlement, and the availability of information.
- The Net Asset Value to Net Asset Value figures are used for the performance calculations. The performance quoted is for a lump sum investment. The performance calculation includes income distributions prior to the deduction of taxes and distributions are reinvested on the ex-dividend date. Performances may differ as a result of actual initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Annualised returns are the weighted average compound growth rates over the performance period measured. Performances are in ZAR and as at 31 January 2019. Sources: Morningstar and Old Mutual Investment Group (FSP no. 604).

Old Mutual Unit Trust Managers (RF) (Pty) Ltd, registration number 1965 008 47107, is a registered manager in terms of the Collective Investment Schemes Control Act 45 of 2002. Old Mutual is a member of the Association for Savings and Investment South Africa (ASISA). Old Mutual Unit Trust Managers has the right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate.