

OLD MUTUAL BOND FUND

FUND INFORMATION

RISK PROFILE



RECOMMENDED MINIMUM INVESTMENT TERM



FUND OBJECTIVE

The fund aims to offer a combination of capital growth and high income yields. Capital growth is primarily achieved by actively taking advantage of interest rate cycles.

WHO IS THIS FUND FOR?

This fund is suited to astute investors who have a particular view on relative asset class performance. The investor understands the impact of the interest rate cycle and accepts this risk in exchange for moderate long-term growth potential.

INVESTMENT MANDATE

The fund invests across the full spectrum of the yield curve. It invests in public and private sector bonds and deposits, with at least 50% invested in bonds with an effective government guarantee.

REGULATION 28 COMPLIANCE

The fund is not required to be Regulation 28 compliant in terms of its Deed, but the fund manager is mandated to comply with Regulation 28 on a day-to-day basis.

BENCHMARK:	All Bond Index
ASISA CATEGORY:	South African – Interest Bearing – Variable Term
FUND MANAGER(S):	Daphne Botha (Futuregrowth Asset Management)
LAUNCH DATE:	31/12/1994
SIZE OF FUND:	R687m
DISTRIBUTIONS: (Half-yearly)*	

Date	Interest	Yield	Total %
31/12/2018	14.65c	8.50%	4.16%
30/06/2018	14.37c	8.44%	4.06%

* Class A fund distributions

FUND COMPOSITION

ASSET & PERCENTAGE ALLOCATION	
12+ Year Bonds	60.7%
7-12 Year Bonds	18.8%
3-7 Year Bonds	11.9%
Cash	4.7%
1-3 Year Bonds	3.9%

FUND PERFORMANCE as at 31/12/2018

	% PERFORMANCE (ANNUALISED)					
	1-Yr	3-Yr	5-Yr	7-Yr	10-Yr	Since Inception ¹
Fund (Class R)	7.2%	10.5%	7.1%	7.5%	7.4%	11.9%
Fund (Class B1) ²	7.4%	10.7%	7.3%	7.7%	7.6%	-
Benchmark	7.7%	11.1%	7.7%	7.8%	7.8%	12.0%

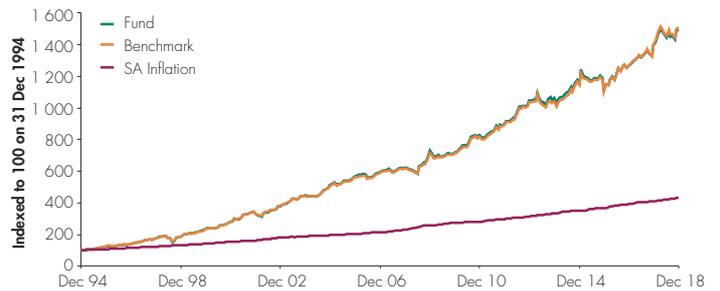
¹ Performance since inception of the fund.

² 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)	42.7%	12.2%	-8.5%

Performance Since Inception



Past performance is no indication of future performance.

Risk Statistics (Since Inception)

Maximum Drawdown	-21.7%
Months to Recover	6
% Positive Months	70.5%
Annual Standard Deviation	8.2%

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

3-Year Annualised Rolling Returns (Fund vs Benchmark)



PRINCIPAL HOLDINGS

HOLDING	% OF FUND
R2048 8.75% 28/02/2048	11.7%
R2035 8.875% 28/02/2035	9.6%
R2044 8.75% 31/01/2044	8.5%
R2037 8.50% 31/01/2037	8.0%
R2040 9.00% 31/01/2040	7.7%
R186 10.5% 21/12/2026	7.5%
R2032 8.25% 31/03/2032	6.8%
R2030 8.00% 31/01/2030	5.6%
R213 7.00% 28/02/2031	3.4%
Escom Holdings Ltd 8.5% 25/04/2042	2.0%

OLD MUTUAL BOND FUND

FUND MANAGER INFORMATION



DAPHNE BOTHA
PORTFOLIO MANAGER
• BCom (Hons)

FUND COMMENTARY

as at 31/12/2018

Following a temporary reprieve in November, the fourth quarter of 2018 turned out to be an extension of most of year in terms of market volatility and weakness. Emerging markets had to face the consequences of compromised international trade and its potentially negative impact on global economic growth, the continued shift away from global quantitative easing, a 40% drop in crude oil prices since October and rising political risk, specifically the emergence of populist leaders in Latin America's two biggest economies. As a result, investor caution manifested itself in foreign investors selling emerging market bonds.

Considering our own significant structural economic hurdles, South African financial markets got dragged down in this maelstrom of global risk aversion. Foreign net sales of local currency denominated bonds totalled R71 billion in 2018. In November, the South African Reserve Bank (SARB)'s Monetary Policy Committee raised the repo rate 25 basis points (bps) to 6.75% – the first rate increase since February 2016. This decision, mostly

driven by concerns about high inflation expectations, had a direct impact on both the level of bond yields and the shape of the nominal yield curve. Short-dated bond yields increased marginally in response to the repo rate increase. At the back end, investors expressed their approval of the SARB's intention to contain inflation despite weak economic growth by buying long-dated nominal bonds at the higher, more attractively priced yields. This, coupled with a stronger rand, caused the yield on the R186 to decrease by around 30bps from its weakest intra-quarterly point of 9.32%. Consequently, the yield on the benchmark R186 (maturity 2026) moved lower to 8.88% on 31 December, 9bps lower than the September close of 8.99%.

Inflation-linked bond yields receded marginally in the second half of November. Even so, market weakness in the first half of the month gave rise to a steepening of the real yield curve slope. The yield of the benchmark R197 (maturity 2023) initially increased to 3.05%, its weakest level since April 2010, before pulling back to close the fourth quarter of 2018 at 2.92%, only marginally higher than the September close of 2.90%. Despite this, the bearish steepening of the yield curve caused the JSE ASSA Government Inflation-linked Index (IGOV) to render a poor return of 0.43% during the quarter, underperforming both nominal bonds and cash by a significant margin.

Despite significant intra-quarter nominal bond market volatility, the JSE ASSA All Bond Index managed to deliver a return of 2.8% over the three-month period ending December 2018. Cash performance, as measured by

the SteFI total return index, rendered a return of 1.8% during the quarter. Over the year, the inflation-linked bond index (0.3%) underperformed both nominal bonds (7.7%) and cash (7.3%) by a significant margin.

The Old Mutual Bond Fund underperformed the benchmark on a net of fee basis for the 12-month period ending December 2018. This was mainly due to the more conservative positioning of the fund relative to the benchmark, specifically the underweight position in nominal bonds with a term to maturity of 25 years and longer.

The fund is defensively positioned with an underweight modified duration tilt of 0.3 relative to the All Bond Index's modified duration of 7.2. This is the result of a smaller holding of nominal bonds with a term to maturity of 25 years and longer. The underweight position at the back end of the yield curve is offset by a small cash holding and short- to medium-dated non-government nominal bonds.

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.

ONGOING

	Class R	Class B1*
Annual service fees (excl. VAT)	0.75%	0.60%

* 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. A portion of Old Mutual Unit Trusts' annual service fees may be paid to administration platforms.

TAX REFERENCE NUMBER: 9002/001/60/1

ISIN CODES:	Class R	ZAEO00020699
	Class B1	ZAEO00048138

Total Expenses (Incl. Annual Service Fee) (30/09/2018)	36 Months		12 Months	
	Class R	Class B1*	Class R	Class B1*
Total Expense Ratio (TER) Incl. VAT	0.89%	0.72%	0.89%	0.72%
Transaction Cost (TC)	0.01%	0.01%	0.02%	0.02%
Total Investment Charge	0.90%	0.73%	0.91%	0.74%

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

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.

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

Helpline 0860 234 234 Fax +27 21 509 7100 Internet www.omut.co.za Email unittrusts@oldmutual.com

FUTUREGROWTH
/ ASSET MANAGEMENT



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.
- 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 December 2018. Sources: Morningstar and Old Mutual Investment Group (FSP no. 604).

Futuregrowth Asset Management (Pty) Ltd is a Licensed Financial Services Provider.

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.

Trustee: Standard Bank, PO Box 54, Cape Town 8000. Tel: +27 21 401 2002, Fax: +27 21 401 3887.

Issued: January 2019