



# OLD MUTUAL MODERATE BALANCED FUND

JULY 2020

## FUND INFORMATION

### RISK PROFILE



### RECOMMENDED MINIMUM INVESTMENT TERM



### FUND OBJECTIVE

The fund aims to achieve long-term inflation-beating growth from an actively managed investment portfolio with a moderate balanced nature. The equity exposure will be commensurate with the exposure typically displayed by multi-asset medium equity portfolios.

### WHO IS THIS FUND FOR?

This fund is suited to investors wanting moderate long-term growth with less volatility in the short term than typical multi-asset high equity funds. The fund is suitable as a stand-alone retirement investment.

### INVESTMENT MANDATE

The fund is exposed to all sectors of the market (shares, bonds and property) with a maximum of 60% exposure to equities 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

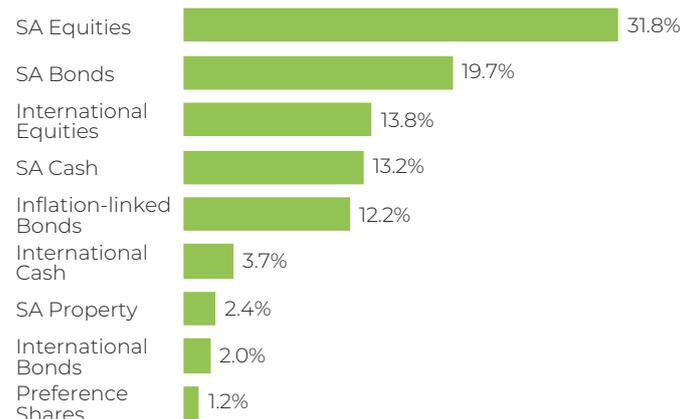
The fund complies with retirement fund legislation. It is therefore suitable as a stand-alone fund in retirement products where Regulation 28 compliance is specifically required.

<b>BENCHMARK:</b>	CPI			
<b>PERFORMANCE TARGET:</b>	CPI + 3% to 4% p.a. (net of fees)			
Performance is targeted over the recommended minimum investment term and is not guaranteed.				
<b>ASISA CATEGORY:</b>	South African – Multi-Asset – Medium Equity			
<b>FUND MANAGER(S):</b>	John Orford & Alida Jordaan (Old Mutual Investment Group – MacroSolutions)			
<b>LAUNCH DATE:</b>	02/02/2015			
<b>SIZE OF FUND:</b>	R781m			
<b>DISTRIBUTIONS: (Half-yearly)*</b>				
<b>Date</b>	<b>Dividend</b>	<b>Interest</b>	<b>Total</b>	<b>Total %</b>
30/06/2020	0.81c	2.73c	3.54c	1.72%
31/12/2019	0.96c	3.32c	4.28c	1.94%

\* Class A fund distributions

## FUND COMPOSITION

### ASSET & PERCENTAGE ALLOCATION



## FUND PERFORMANCE AS AT 31/07/2020

	% PERFORMANCE (ANNUALISED)					
	1-Yr	3-Yr	5-Yr	7-Yr	10-Yr	Since Inception <sup>1</sup>
Fund (Class A)	-1.5%	2.6%	3.6%	-	-	3.6%
Fund (Class B1) <sup>2</sup>	-1.1%	3.0%	3.9%	-	-	4.0%
Benchmark*	2.2%	3.7%	4.5%	4.8%	5.0%	4.8%

\* The CPI figures are lagged by one month as the number was calculated before this month's inflation rate was released.

<sup>1</sup> Performance since inception of the fund.

<sup>2</sup> Class B1 fund is 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)	12.7%	4.0%	-11.8%

### Performance Since Inception



Past performance is no indication of future performance.

### Risk Statistics (Since Inception)

Maximum Drawdown	-14.3%
Months to Recover	N/A
% Positive Months	63.6%
Annual Standard Deviation	7.5%

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

## PRINCIPAL HOLDINGS AS AT 30/06/2020

HOLDING	% OF FUND
I2025 ILB 2.00 31/01/2025	6.8%
R2035 8.875% 28/02/2035	5.3%
R2032 8.25% 31/03/2032	5.1%
R2030 8.00% 31/01/2030	4.5%
Naspers Ltd	3.9%
R186 10.5% 21/12/2026	3.6%
British American Tobacco	2.5%
R210 2.60% 31/03/2028	2.4%
Prosus NV	1.5%
Anglo American Plc	1.4%

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

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

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



# OLD MUTUAL MODERATE BALANCED FUND

JULY 2020

## FUND MANAGER INFORMATION



### JOHN ORFORD | PORTFOLIO MANAGER

- BA Economic History (Hons), Postgraduate Dip (Quantitative Development Economics), MSc (Development Economics), MBA
- 16 years of investment experience



### ALIDA JORDAAN | PORTFOLIO MANAGER

- BMus (Hons) (cum laude), MBA (cum laude), CFA
- 25 years of investment experience

275 basis points (bps) this year, taking the repo rate down to 3.75%, the lowest level since the 1970s. As a result, the Capped Shareholder Weighted Index (Capped SWIX), the most common equity benchmark, roared up 21.6% in the quarter. However, due to the massive fall in the first quarter, year-to-date returns are still down 10.7%. Interestingly, this is pretty much in line with the 12-month decline highlighting that all the damage took place in that first quarter. Local bonds also recovered their losses in the first quarter. However, flat YTD is a poor outcome in a global context, due to our downgrade to junk status.

We are very pleased that markets have recovered, for a number of reasons. Obviously, this helps mitigate the Q1 blow to our clients' wealth – and ours as we are invested alongside them. In addition, we bought equity across our range of solutions during the crash and afterwards. This was based on our better than expected long-term returns, and we did not expect to receive these returns in a quarter. However, some of the shares we purchased did phenomenally well, which highlights the benefit of active asset allocation. Finally, this rebound reaffirms our advice to investors to stick to their investment plan and not to panic in a crash. Typically, the best returns are found after the worst returns.

On a relative basis, we enjoyed a good second quarter, helped by the addition of equity at low prices. However, the recovery was not strong enough to offset a poor first quarter. We had built some holdings in South African mid-sized industrials on the basis of cheap valuations and decent operating models. Examples would be Pepkor Holdings, the best clothing retailer in the mass market, and Super Group, which has a great growth pipeline. These companies suffered in Q1 and have not rebounded as quickly as the market, reflecting the negative impact of South Africa's recession on their profits. We remain excited to own these shares and, with a little time, they will deliver superior returns going forward.

Over the last year, the performance of the Old Mutual Moderate Balanced Fund has been well below target – due to a combination of poor equity selection and asset allocation, along with the weak performance in South African assets over the period. It is pleasing though, that the fund performed much better in the last quarter – again, partly reflecting the better performance in financial markets, with both equities and bonds performing strongly off the lows reached in March. The fund's equity portfolio has performed much better beating the benchmark local

equity index. Our response to the equity market volatility this year has been to add to companies that sold off, where we think these companies will survive the devastating short-term impact of the coronavirus-induced global recession and will do well in the longer term. We have also selectively reduced exposure to some shares we think are less well placed in the long term. Shares added to, on a view that they would benefit from a recovery in the global economy, included Northam, Impala, Bidcorp and Bidvest. Defensives added to included Naspers, AngloGold, Pick n Pay and AVI. We reduced our exposure to Aspen and Omnia into share price strength over the quarter. Positive contributors to the quarter's performance included Impala Platinum and Northam, followed by Sasol (up more than 300%). Naspers continued to perform well and some of the more locally focused companies also made a positive contribution, including KAP Industrial, Omnia, Raubex and Super Group. Looking forward, we believe there is considerable value in South African equities which have underperformed global equities by a long margin over the last five years, particularly excluding the contribution of Naspers. Accordingly, we have continued to gradually increase our exposure to local equities and added modestly to global equities in the quarter.

Given a potential second wave of Covid-19 infections and the strong performance of global equity markets since March, the near-term outlook for global equities is uncertain. However, longer term, we expect the global economy to recover as economies open up, and given the very supportive monetary and fiscal policy stance. We anticipate a slightly softer US dollar and some rotation into cheaper global equities outside of the US. This should benefit both South African equities and longer duration fixed income assets which are very attractively priced. During the quarter, we added to inflation-linked bonds, which offer very attractive real yields of over 4%. Combined with nominal bonds, this gives the portfolio a considerable exposure to attractively priced domestic government bonds. Relative to very low prospective cash returns, longer duration fixed income and growth assets offer attractive returns and justify the risk entailed in allocating capital to these assets. During the quarter, the fund added to its position in gold, which should be well supported given the very low global real yields. Overall, we believe the portfolio is well placed to deliver to its inflation mandate over the next three years.

Source: Old Mutual Investment Group as at 30/06/2020

## FUND COMMENTARY AS AT 30/06/2020

In an extraordinary reversal of the previous quarter, global markets have rebounded from one of the fastest crashes of all time, with one of the fastest recoveries of all time. So while equities are still down a little bit year to date (YTD) there are a number of big winners. These are typically growth and technology orientated names, exemplified by the NASDAQ, which is up 12% in 2020. This rally has been delivered against the backdrop of the worst macroeconomic slowdown in living memory and more than 0.5m people dying from Covid-19. The reason markets have gone up is because policymakers have gone all in. On the fiscal side, the average budget deficit is forecast at 14% of GDP, while on the monetary policy side there have been more than 149 rate cuts this year.

South Africa has been no exception, with our Supplementary Budget released in June forecasting a deficit of 15.7%. The South African Reserve Bank (SARB) has slashed rates by

## 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.

### EXIT FEE:

Old Mutual Unit Trusts will charge an exit fee of 2.30% if exiting within 2 weeks of entry and reserves the right to charge this fee if exiting within 6 months of entry. The exit fee will not apply to investments in the fund via the Old Mutual Unit Trusts Tax-Free Investment.

## ONGOING

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

\* Please note: The Class B1 fund is 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. A portion of Old Mutual Unit Trusts' annual service fees may be paid to administration platforms.

TAX REFERENCE NUMBER: 1501/123/18/4

ISIN CODES:	Class A	ZAE000194973
	Class B1	ZAE000194981

Total Expenses (Incl. Annual Service Fee) (31/03/2020)	36 Months		12 Months	
	Class A	Class B1*	Class A	Class B1*
Total Expense Ratio (TER) Incl. VAT	1.63%	1.23%	1.59%	1.19%
Transaction Cost (TC)	0.12%	0.12%	0.09%	0.09%
Total Investment Charge	1.75%	1.35%	1.68%	1.28%

\* Please note: The Class B1 fund is 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. The TER and TC cannot be determined accurately for the funds that are less than one year old. Calculations are based on actual data where possible and best estimates where actual data is not available.

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

Helpline 0860 234 234 Fax +27 21 509 7100 Internet [www.oldmutualinvest.com](http://www.oldmutualinvest.com) Email [unittrusts@oldmutual.com](mailto:unittrusts@oldmutual.com)

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.oldmutualinvest.com](http://www.oldmutualinvest.com) 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 July 2020. 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.

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

Issued: August 2020