OLD MUTUAL BOND FUND

JUNE 2020

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

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:	R1.1bn

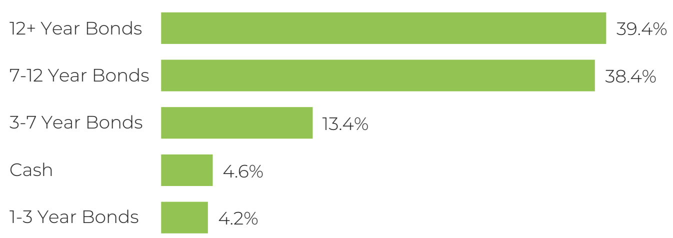
DISTRIBUTIONS: (Half-yearly)*

Date	Interest	Yield	Total %
30/06/2020	14.17c	8.48%	4.18%
31/12/2019	14.48c	8.29%	4.08%

* Class A fund distributions

FUND COMPOSITION

ASSET & PERCENTAGE ALLOCATION



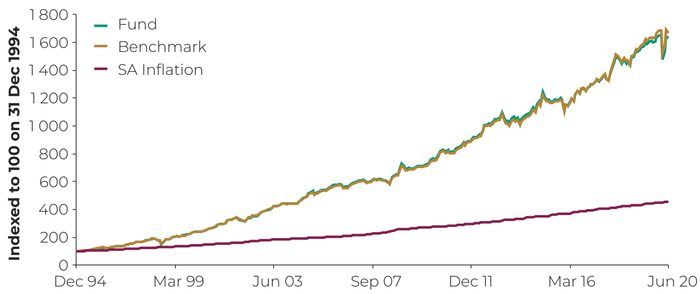
FUND PERFORMANCE AS AT 30/06/2020

	% PERFORMANCE (ANNUALISED)					
	1-Yr	3-Yr	5-Yr	7-Yr	10-Yr	Since Inception[1]
Fund (Class R)	2.2%	7.3%	6.8%	6.7%	7.9%	11.6%
Fund (Class B1)[2]	2.4%	7.5%	7.0%	6.8%	8.1%	-
Benchmark	2.8%	8.1%	7.5%	7.3%	8.3%	11.7%

[1] Performance since inception of the fund.
[2] 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)	42.7%	11.9%	-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	70.6%
Annual Standard Deviation	8.4%

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
R2032 8.25% 31/03/2032	20.1%
R2030 8.00% 31/01/2030	15.3%
R2035 8.875% 28/02/2035	14.5%
R2037 8.50% 31/01/2037	12.2%
R2040 9.00% 31/01/2040	10.7%
R186 10.5% 21/12/2026	8.6%
Transnet Ltd 8.9% 14/11/2027	1.7%
Eskom Holdings Ltd 8.5% 25/04/2042	1.6%
TN30 10.50% 09/10/2030	1.3%
RW23 9.51% 10/12/2023	0.9%

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FUTUREGROWTH
/ ASSET MANAGEMENT

OLD MUTUAL BOND FUND

JUNE 2020

FUND MANAGER INFORMATION

DAPHNE BOTHA |
PORTFOLIO MANAGER

- BCom (Hons)

FUND COMMENTARY

In a relatively short space of time, the Covid-19 pandemic has caused one of the most eventful – if not horrific – quarters in decades, on a global scale. The supportive role that governments have played globally in an effort to offset the health and economic impact is unprecedented. This classic example of a Keynesian-type intervention comes at a cost, with larger, unplanned fiscal deficits being the most visible. For this reason, the tabling of an unprecedented South African Supplementary Budget at the end of June attracted much interest. In stark contrast to the 2008 Global Financial Crisis, this time around the country had to initiate its fiscal response to a crisis from a much weaker position. Sharply higher pandemic-related expenditure and a dramatic drop in tax revenue collections due to the economic implosion, dragged fiscal finances into an even more precarious position, with mutterings of a debt trap.

Apart from direct market participation in the bond market and a host of other measures to assist the monetary sector, the South African Reserve Bank (SARB) also responded to the devastating impact of the pandemic by lowering the repo rate to 3.75% for a total reduction of 300 basis points (bps) from the peak of 6.75% in July last year, 150bps of which got trimmed this quarter. The combination of the worst expected recession in decades, very strong disinflationary forces and the generally low level of global rates enabled the SARB to respond in this manner. While the extent of the recession and the expected shape of the economic recovery remain unclear, the inflation picture is much clearer. Although the five-week hard lockdown created challenges with the collection of survey data, it is clear that inflation is not a concern right now. In April, the rate of inflation at consumer and producer levels slowed to 3.0% and 1.2% respectively.

The short end of the yield curve moved sharply lower in tandem with the repo rate adjustment. In contrast, the yields of longer-dated bonds were kept at relatively elevated levels as rising fiscal concerns overshadowed the disinflationary backdrop. In the nominal bond market, the yield of the 10-year fixed rate government bond traded in a range of 8.72% to 11.21% during the second quarter before closing the period at 9.28%, or 155bps below the March 2020 close. The yield spread between the 10- and 30-year points reached a peak of 2.14%. This volatility was also evident in the inflation-linked bond market where the yield of the 10-year benchmark bond traded in a wide range of 4.01% to 4.68%.

Ultimately, the spike in yields, and thus improved market valuation, lured the bears from their caves, despite the fact that the general economic and fiscal outlook kept deteriorating. In the case of the nominal bond market, the JSE All Bond Index (ALBI) returned 9.94%, with bonds in the 7- to 12-year maturity band leading with an impressive 13.23% during the second quarter. The comeback by the inflation-linked bond market was less noteworthy with the JSE Inflation-linked Government Index (IGOV) rendering a return of 4.75%. That said, both indices managed to beat the cash return of 1.12% by a significant margin for the three-month period ending June.

The fund returned 2.2% on a net-of-fee basis for the 12-month period ending June 2020. Relative to its benchmark, it underperformed by 0.6%. This underperformance was mainly due to a combination of an underweight holding in the best performing 1- to 7-year maturity band and the overweight holding of bonds in the 12- to 20-year maturity band, which underperformed on a relative basis, particularly in the months of April and June. The shorter 1- to 7-year maturity band received a significant boost from aggressive monetary policy easing during this period.

Our investment theme remains negative in light of unfolding events. However, some of this is reflected by the level of nominal bond yields and the steep positive slope of the yield curve. The combination of the aggressive monetary policy response in the past few months and the risk to longer-dated bond yields due to the dire fiscal backdrop, mainly explains the steep positive slope of the nominal yield curve. While market risks are still real, cash rates are at multi-decade lows, while the yields of longer-dated nominal bonds are currently offered at higher and relatively attractive nominal and inflation-adjusted levels. Even so, the precarious backdrop requires a finely balanced approach in deciding on the best risk-adjusted investment strategy; in other words, managing capital risk while not losing out on the attractive accrual offered by higher-yielding fixed rate bonds, especially relative to cash. In our bond funds we opted to retain a neutral modified duration position, keeping cash levels as low as possible while maintaining an underweight position in ultra-long dated bonds. This leaves us with a significant overweight position in bonds with a term to maturity ranging between 10 and 20 years.

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

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

* 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. 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 ZAE000020699
Class B1 ZAE000048138

Total Expenses (Incl. Annual Service Fee) (31/03/2020)	36 Months Class R	36 Months Class B1*	12 Months Class R	12 Months Class B1*
Total Expense Ratio (TER) Incl. VAT	0.89%	0.72%	0.89%	0.72%
Transaction Cost (TC)	0.02%	0.02%	0.02%	0.02%
Total Investment Charge	0.91%	0.74%	0.91%	0.74%

* 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.

Funds are also available via Old Mutual Wealth and MAX Investments.
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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.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.
- 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 30 June 2020. 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.

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