FUND INFORMATION

RISK PROFILE
Low Low to 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: R1.3bn

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 PERFORMANCE AS AT 30/09/2020

<table>
<thead>
<tr>
<th>% PERFORMANCE (ANNUALISED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Yr</td>
</tr>
<tr>
<td>Fund (Class R)</td>
</tr>
<tr>
<td>Fund (Class B1)</td>
</tr>
<tr>
<td>Benchmark</td>
</tr>
</tbody>
</table>

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.

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

<table>
<thead>
<tr>
<th>HOLDING</th>
<th>% OF FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>R2032 8.25% 31/03/2032</td>
<td>23.8%</td>
</tr>
<tr>
<td>R2030 8.00% 31/01/2030</td>
<td>16.8%</td>
</tr>
<tr>
<td>R2035 8.875% 28/02/2035</td>
<td>14.1%</td>
</tr>
<tr>
<td>R2037 8.50% 31/01/2037</td>
<td>11.8%</td>
</tr>
<tr>
<td>R2043 9.00% 31/01/2040</td>
<td>10.3%</td>
</tr>
<tr>
<td>R186 10.5% 21/12/2026</td>
<td>6.8%</td>
</tr>
<tr>
<td>Transnet Ltd 8.9% 14/11/2027</td>
<td>1.6%</td>
</tr>
<tr>
<td>Eskom Holdings Ltd 8.5% 25/04/2042</td>
<td>1.4%</td>
</tr>
<tr>
<td>TN30 10.50% 09/10/2030</td>
<td>1.3%</td>
</tr>
<tr>
<td>R2044 8.75% 31/01/2044</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

FUND COMPOSITION

ASSET & PERCENTAGE ALLOCATION
7-12 Year Bonds 43.6%
12+ Year Bonds 39.2%
3-7 Year Bonds 11.3%
1-3 Year Bonds 3.7%
Cash 2.2%
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.
- Initial adviser fee will be between 0% and 3.45%.
- There is no initial administration charge for investment transactions.

**ONGOING**

<table>
<thead>
<tr>
<th>Total Expenses (Incl. Annual Service Fee) (30/06/2020)</th>
<th>36 Months</th>
<th>12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Class A</strong></td>
<td><strong>Class R</strong></td>
<td><strong>Class B1</strong></td>
</tr>
<tr>
<td>Total Expense Ratio (TER) Incl. VAT</td>
<td>0.89%</td>
<td>0.89%</td>
</tr>
<tr>
<td>Transaction Cost (TC)</td>
<td>0.01%</td>
<td>0.02%</td>
</tr>
<tr>
<td>Total Investment Charge</td>
<td>0.90%</td>
<td>0.91%</td>
</tr>
</tbody>
</table>

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

**TAX REFERENCE NUMBER:** 9002/001/60/1

**ISIN CODES:**
- Class R: ZAE000048138
- Class B1: ZAE000020699

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

**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 (BRI) (Pty) Ltd, from our public website at www.oldmutualinvest.com or our contact centre on 0860 234 224.

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 our cut-off times for transactions and dividends. 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.

Old Mutual BOND FUND

**PORTFOLIO MANAGER**

**DAPHNE BOTHA**

**FUND COMMENTARY**

The global economic and financial crisis forced central banks to remain on the backfoot. In the United Kingdom, the Bank of England noted that it will begin formal talks with private sector financial institutions on the operational challenges regarding negative rates. On the other side of the Atlantic Ocean, the US Federal Reserve (the Fed), in stating its usual forward guidance, tweaked the reference to inflation by adding that it would be allowed to moderately exceed at a rate of 2% for some time, in order to anchor inflation expectations at 2%. While both central banks left their policy rates unchanged, the respective messages about negative rates and reflation are worth flagging.

Back home, the South African Reserve Bank (SARB) opted to keep the repo rate unchanged at 3.50% at the August Monetary Policy Committee (MPC) meeting. In another development, the Bank opted to halt its purchases of government securities in the secondary market in response to improved market conditions.

Fiscal data continued to confirm the impact of the anaemic economic environment. Revenue collections remain in the red, reflecting the dire economic consequences of the COVID-19 induced crisis. Overall, fiscal data thus far suggests that the risks to debt sustainability remains elevated, highlighting the urgent need for significant expenditure cuts and structural reforms.

Although foreign net selling of rand-denominated government bonds reached R74bn for the first nine months of this year, the pace of foreign selling slowed during the third quarter. This, combined with stronger local investor demand in response to more attractive market levels and steeper yield curve slopes, brought about some stability in both the nominal and inflation-linked bond markets. On the nominal side, the FTSE JSE All Bond Index (ALBI) rendered a return of 1.4% for the quarter ending September, slightly better than the cash return of 0.9% over this period.

The fund returned 1.5% on a net-of-fee basis for the 12-month period ending September 2020, underperforming the benchmark by 2.1%. This was mainly due to a combination of an underweight holding in the best performing 1- to 7-year maturity band and an overweight holding of bonds in the 12- to 20-year maturity band, which underperformed on a relative basis. The shorter maturity band received an unprecedented boost from aggressive monetary policy easing totalling 300 basis points during this period.

Cash rates are at multi-decade lows while longer-dated nominal bonds are offered at higher and relatively attractive inflation-adjusted levels, even though still with some level of risk. The precarious fiscal backdrop in particular, requires a finely balanced approach in managing capital risk while still benefiting from the attractive accrual offered by higher-yielding fixed rate bonds. In light of this, we opted to keep the exposure to cash as low as possible, balanced by a significant overweight holding in the 10- and 20-year maturity bands and an underweight position in ultra-long-dated bonds. The modified duration position of the fund closely matches that of the benchmark.

Source: Old Mutual Investment Group as at 30/09/2020

**FUND MANAGER INFORMATION**

**DAPHNE BOTHA**

**PORTFOLIO MANAGER**
- BCom (Hons)