OLD MUTUAL REAL INCOME FUND

JANUARY 2019

FUND INFORMATION

RISK PROFILE

Low	Low to Moderate	Moderate	Moderate to High	High

RECOMMENDED MINIMUM INVESTMENT TERM

1 year+	2 years+	3 years+

FUND OBJECTIVE

The fund aims to provide an income that grows in line with inflation, while sustaining the level of capital over time and minimising any losses over a 12-month period. The portfolio manager actively manages asset allocation to take advantage of changing market conditions.

WHO IS THIS FUND FOR?

This fund is suited to investors who can accept a lower initial income in return for the expectation of inflation-matching growth in income over the recommended investment term, while maintaining the value of their capital. It is suitable as a low-risk investment in retirement.

INVESTMENT MANDATE

The fund invests in the full spectrum of fixed interest investments. The fund may invest up to 25% of its portfolio in selected listed property shares and up to 10% in equities. The fund 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 + 1% to 2% p.a. (net of fees)

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

RISK OBJECTIVE:	The fund aims to protect capital over 12 months.
ASISA CATEGORY:	South African – Multi-Asset – Low Equity
FUND MANAGER(S):	John Orford & Zain Wilson (Old Mutual Investment Group – MacroSolutions)
LAUNCH DATE:	01/04/2006
SIZE OF FUND:	R5.2bn

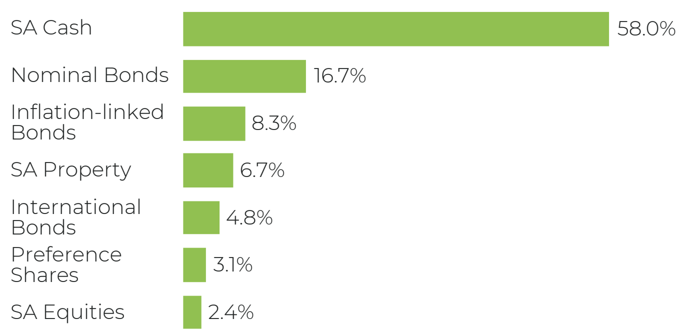
DISTRIBUTIONS: (Quarterly)*

Date	Dividend	Interest	Total	Total %
31/12/2018	0.19c	4.30c	4.49c	1.59%
30/09/2018	0.43c	4.30c	4.73c	1.68%
30/06/2018	0.26c	4.24c	4.50c	1.60%
31/03/2018	0.15c	4.33c	4.48c	1.58%

* Class A fund distributions

FUND COMPOSITION

ASSET & PERCENTAGE ALLOCATION



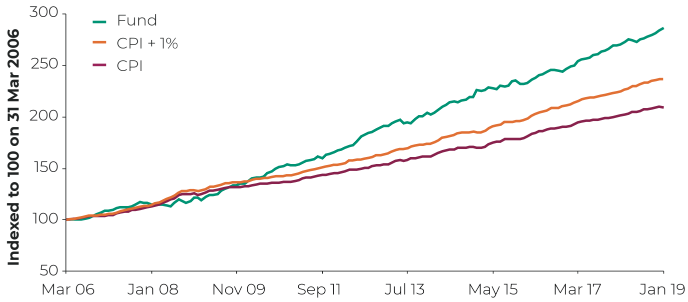
FUND PERFORMANCE as at 31/01/2019

	% PERFORMANCE (ANNUALISED)					
	1-Yr	3-Yr	5-Yr	7-Yr	10-Yr	Since Inception[1]
Fund (Class A)	6.6%	7.3%	7.2%	8.0%	8.9%	8.6%
Fund (Class B1)[2]	7.0%	7.8%	7.7%	8.5%	9.2%	8.9%
Benchmark*	4.5%	5.3%	5.3%	5.4%	5.3%	5.9%

[1] Performance since inception of the fund.
[2] Inception: 31 January 2013. Class B1 Fund is only avai able through investment platforms such as Old Mutual Wealth.
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)	15.4%	8.7%	-0.7%

Performance Since Inception

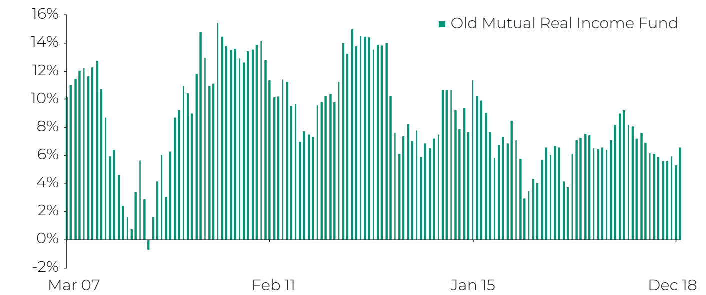


Past performance is no indication of future performance.

Risk Statistics (Since Inception)	
Maximum Drawdown	-3.6%
Months to Recover	3
% Positive Months	79.2%
Annual Standard Deviation	3.2%

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

Rolling Quarter-end Returns



PRINCIPAL HOLDINGS as at 31/12/2018

HOLDING	% OF FUND
R186 10.5% 21/12/2026	5.7%
R212 2.75% 31/01/2022	5.2%
IDC 8.34% 22/10/2020	2.6%
Development Bank of SA	2.1%
R197 5.5% 07/12/2023	1.7%
AHF3A3 FRN 18/04/2019	1.7%
SBS25 8.87% 24/05/2019	1.1%
DVF19 FRN 31/05/2019	1.1%
Fortress Reit Ltd A	1.1%
IDCG05 FRN 25/11/2019	1.1%

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

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JANUARY 2019

FUND MANAGER INFORMATION

JOHN ORFORD |
PORTFOLIO MANAGER

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

ZAIN WILSON |
PORTFOLIO MANAGER

- BBusSc Economics, CFA
- 5 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.

The combination of a rising global cost of capital and peaking growth resulted in a greater breadth of negative real returns across major asset classes than the Global Financial Crisis. This meant there were few places to hide outside of cash or low duration credit assets. This held true in South Africa, with cash returning 7.3% over the year, and government bonds ending on a similar 7.7%, albeit with significantly more volatility. Over this period, the Old Mutual Real Income Fund delivered a return of 5.3%. Three-year returns ended at 6.9%, behind the fund's target of CPI + 1-2% net of fees.

While the fund started the year with lower than average growth asset exposure, with the benefit of hindsight, we did not reduce our growth asset exposure enough. While our positions in domestic equity, and more so property, outperformed their respective benchmarks, they lagged behind cash for the year and were the primary drags on returns. However, as valuations have reset lower, expected future returns have improved. This is evident in the fund's equity returns over the past quarter moving into positive territory and exceeding the broader market by close to 10%.

Looking ahead, inflation should drift higher from cyclical lows in 2019, but demand side pressures remain absent. While this doesn't discount unforecastable risks from the volatile drivers of inflation, the absence of demand pressures reduces the risk of second-round effects. In such a benign inflation world, low duration, domestic fixed income assets are a high hurdle to beat, offering real yields in excess of 2.5%, with low risk. The fund thus maintains a higher weighting to good quality, domestic credit assets, with some duration added as domestic bond yields have reset higher.

Outside of an overweight to domestic fixed income, we continue to favour income enhancement over growth and inflation protection across asset classes. Over the last half of 2018, we added meaningful exposure to low duration offshore credit assets with attractive yields, further enhancing those yields by hedging the assets back into rands. Within growth assets, the combined yield of 8% from domestic equity and property in the fund is only marginally lower than what is available in domestic fixed income. With valuations resetting lower, the foundation for better future returns has been laid.

Having navigated a tough year while meeting the fund's capital preservation mandate, we are confident that the fund is well positioned to deliver to its objective of CPI + 1-2% returns net of fees for the year ahead.

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 A	Class B1*
Annual service fees (excl. VAT)	1.20%	0.80%

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

TAX REFERENCE NUMBER: 9004/554/17/7

ISIN CODES: Class A ZAE000076493

Class B1 ZAE000076501

	36 Months		12 Months	
Total Expenses (Incl. Annual Service Fee)	Class A	Class B1*	Class A	Class B1*
Total Expense Ratio (TER) Incl. VAT	1.41%	0.95%	1.40%	0.94%
Transaction Cost (TC)	0.05%	0.05%	0.03%	0.03%
Total Investment Charge	1.46%	1.00%	1.43%	0.97%

* 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.

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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.
- Income funds derive their income primarily from interest-bearing instruments as defined. The yield is a current yield and is calculated daily.
- 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.

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

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