

QUARTER 1, 2018

OLD MUTUAL MULTI-MANAGERS DEFENSIVE FUND OF FUNDS

THE AIM OF THE FUND

The Fund of Funds gives investors the opportunity to grow their capital and income at a moderate pace through active asset allocation. It utilises South African and global managers who are mandated to invest in specific asset classes including listed shares, fixed interest securities, listed property and cash. The portfolio aims to achieve a return in the range of 3%-4% above inflation over rolling three-year periods.

PERFORMANCE TO 31 MARCH 2018

	1 year	3 years	5 years	7 years	10 years
Fund return	6.5%	5.0%	7.7%	8.7%	8.4%
Benchmark: CPI*	4.0%	5.8%	5.4%	5.6%	5.9%

* The CPI figures are lagged by one month as it is calculated before this month's inflation rate was released. Inception date: June 2001. Performance measurements over periods shorter than the recommended investment term may not be appropriate. Past performance is no indication of future performance. Fund of Funds returns are net of fees and measured against the benchmark. Returns for periods greater than 1 year are annualised.

Sources: Morningstar and Old Mutual Wealth

RECENT PERFORMANCE

It was a tough first quarter with the unusual combination of weaker global equity markets and a stronger rand dragging the Fund's one-year return down to 6.5%. Bear in mind that the Fund has significant exposure to international assets (also through JSE-listed global companies). Inflation declined to 4% in February, meaning that returns were still positive in real terms.

Global equities started the year strongly, but sold off heavily in February and March as a market repricing of interest rate risk was soon followed by the scare of a trade war after the US imposed import tariffs. The MSCI All Countries World Index still returned 15.4% in US dollars over the past year, but only 2.0% in rands, with the rand's surge in December continuing into the first quarter. Tactically, we maintained an overweight position in

emerging market equities, which strongly outperformed developed markets. This tactical overweight to emerging markets, together with most of our active global equity managers outperforming their benchmarks, resulted in our global equity building block beating the global equity index by 2.8%. International property has struggled over the past year, with the EPRA/NAREIT Developed Index returning only 3% in US dollars over the past year, but outperformance from our managers softened the blow.

The JSE followed global markets lower in February and March, wiping out the year's gains. In the quarter, we received approval from the Financial Services Board (FSB) to change our equity benchmark to the JSE Capped SWIX Index, which limits the index weight of Naspers (and any other share) to 10%. Unfortunately, most of our equity managers lagged the benchmark in the year to the end of March. We spend our time understanding the drivers of performance at managers, rather than focusing on their short-term returns. It is better to analyse performance over longer periods. Knee-jerk changes in manager selection tend to be counterproductive.

Listed property had a torrid quarter due to corporate governance concerns at the Resilient stable of companies, which constitutes around 40% of the FTSE/JSE SA Listed Property Index (SAPY). The SAPY lost 7.1% over the year to the end of March, but our active managers limited the building block loss to 1.9%.

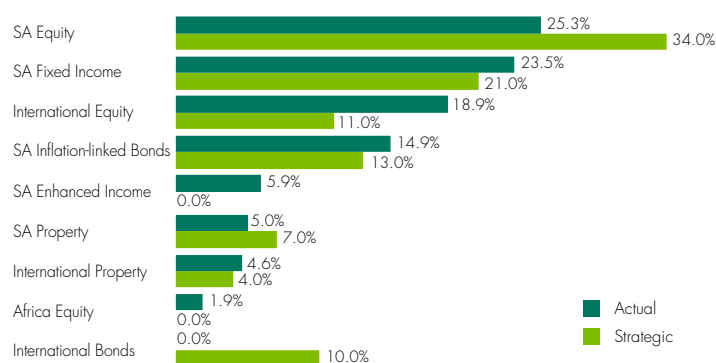
Buoyed by declining inflation, a rate cut and a ratings reprieve from Moody's, local bonds rallied in the first quarter, lifting one-year returns to 16.2%. The local fixed income building block aims to beat the better of bonds or cash, and our managers are unlikely to have the full duration of the All Bond Index. The building block can therefore be expected to lag the ALBI somewhat if it runs hard (as it has), but we are satisfied with the 13.2% one-year return from our fixed income building block.

ASSET CLASS AND BUILDING BLOCK PERFORMANCE AS AT 31 MARCH 2018

	1 year	2 years	3 years
Old Mutual Multi-Managers SA Equity Fund	6.8%	4.9%	3.5%
FTSE/JSE Capped Shareholder Weighted All Share Index (Capped SWIX)	8.0%	4.4%	3.8%
Old Mutual Multi-Managers International Equity Fund	4.8%	8.0%	9.2%
MSCI All Country World Index	2.0%	3.7%	7.9%
Old Mutual Multi-Managers SA Property Fund	-1.9%	0.1%	3.3%
FTSE/JSE SA Listed Property Index (SAPY)	-7.1%	-2.9%	-0.5%
Old Mutual Multi-Managers International Property Fund	-7.3%	-9.2%	0.1%
FTSE EPRA/NAREIT Developed Index NET TRI	-8.8%	-8.4%	0.8%
Old Mutual Multi-Managers SA Fixed Income Fund	13.2%	12.2%	8.8%
JSE All Bond Index (ALBI)	16.2%	13.6%	8.6%

Returns are calculated in ZAR. Returns greater than 1 year are annualised.

FUND ASSET ALLOCATION AS AT 31 MARCH 2018



TACTICAL ASSET ALLOCATION CHANGES

At the end of the first quarter, the Fund was still positioned heavily overweight to global equity, with a strong bias towards emerging market equities. There was also a small allocation to African equity and a moderate overweight to global property. There was no exposure to global bonds. Given the improved local prospects, we are increasing our local equity exposure into weakness, closing the underweight position. Following the sell-off in listed property we have also moved the weighting from underweight to neutral. We remain overweight to local interest-bearing assets.

LOOKING AHEAD (AND REMEMBERING THAT THE RECOMMENDED TIME HORIZON OF THE FUND IS THREE YEARS PLUS)

- We are looking through the volatility of the first quarter and still believe equities should deliver the best returns over time. Our overall equity exposure (local plus global) is slightly overweight relative to the long-term strategic weighting. Good global economic growth is starting to deliver improved company earnings and local prospects appear to be improving.
- Property companies should be able to deliver returns above inflation as rental income grows.
- Even after the South African Reserve Bank has cut rates, local bond yields remain attractive with inflation subdued, while the risk of a further downgrade has diminished substantially. Local bond returns should beat inflation.



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

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- 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.
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- 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.
- A fund of funds is a portfolio that invests in other funds which levy their own charges, which could result in a higher fee structure for the fund of funds.
- Old Mutual Unit Trust Managers (RF) (Pty) Ltd is the manager of this co-branded fund and has full legal responsibility for it.
- 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. The actual highest, average and lowest 12-month returns since inception to 31 March 2018 are 30.0% (highest), 12.1% (average) and -6.5% (lowest). Sources: Morningstar and Old Mutual Wealth.

Old Mutual Multi-Managers, a division of Old Mutual Life Assurance Company (SA) Ltd, FSP no. 703.

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