

# FUND PERSPECTIVE

QUARTER 2, 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 30 JUNE 2018

	1 year	3 years	5 years	7 years	10 years
Fund return	7.7%	6.0%	7.8%	8.9%	8.6%
Benchmark: CPI*	4.4%	5.3%	5.4%	5.5%	5.5%

\* 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

The Fund of Funds' one-year return at the end of June was 7.7%. Inflation declined to 4.4% in May, meaning that returns were positive in real terms.

Global equities were positive in US dollars in the second quarter, but still below the late-January peak. Markets have been volatile from February onwards, with trade war fears dominating the headlines. The MSCI All Countries World Index still returned 11% in US dollars over the past year, and 16% in rand terms. The sharp 14% depreciation of the rand in the second quarter means local investors can now benefit fully from foreign exposure. Unfortunately our global equity managers underperformed the benchmark over the past year, but this follows a period of strong outperformance. All of our global managers have a strong track record

and we still have confidence in them. The tactical overweight to emerging markets also hurt performance as investors retreated from these markets in the face of a stronger US dollar. However, the valuation opportunity remains compelling (even more so now). In absolute terms, the global equity building block still delivered the best return to the overall Fund of Funds.

International property was positive and also benefited from the weaker rand. The EPRA/NAREIT Developed Index returned 6% in US dollars and 11.4% in rands, while our managers added additional value.

The FTSE/JSE All Share Index (ALSI) has also been extremely volatile since February and was negative in the second quarter. However, our benchmark, the FTSE/JSE Capped SWIX All Share Index, returned 8.2% over the past year. Our local equity managers collectively beat this benchmark by almost 2% over this period.

Listed property's torrid run continued in the second quarter. The FTSE/JSE SA Listed Property Index lost 10% over the past year, largely due to corporate governance concerns at the Resilient stable of companies, but also in the face of declining distribution growth from the broader sector. Our active managers limited the property building block loss to -5.8%.

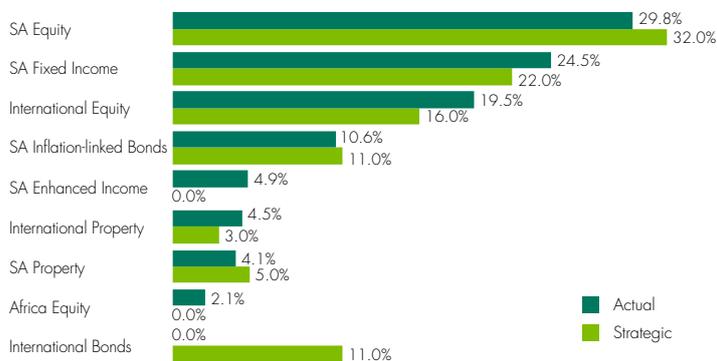
Local bonds sold off in the second quarter (yields increased) as global investors pulled money from emerging market bonds. The All Bond Index (ALBI) lost 4% in the quarter, but still returned a decent 10% over one year. The local fixed income building block aims to beat the better of bonds or cash, and our managers are unlikely to have the full duration of the ALBI. Therefore our fixed income exposure lost less than the ALBI during the second quarter, but skilful active management still delivered a result close to the ALBI over one year (9.6%).

### ASSET CLASS AND BUILDING BLOCK PERFORMANCE AS AT 30 JUNE 2018

	1 year	2 years	3 years
Old Mutual Multi-Managers SA Equity Fund	10.0%	5.5%	4.1%
FTSE/JSE Capped Shareholder Weighted All Share Index (Capped SWIX)	8.2%	3.6%	3.6%
Old Mutual Multi-Managers International Equity Fund	14.5%	13.4%	12.2%
MSCI All Country World Index	16.4%	11.5%	13.3%
Old Mutual Multi-Managers SA Property Fund	-5.9%	-0.9%	4.1%
FTSE/JSE SA Listed Property Index (SAPY)	-9.9%	-3.8%	0.9%
Old Mutual Multi-Managers International Property Fund	10.5%	-0.4%	9.8%
FTSE EPRA/NAREIT Developed Index NET TRI	10.5%	-0.5%	10.1%
Old Mutual Multi-Managers SA Fixed Income Fund	9.7%	9.0%	8.3%
JSE All Bond Index (ALBI)	10.2%	9.1%	7.8%

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

**FUND ASSET ALLOCATION AS AT 30 JUNE 2018**



**TACTICAL ASSET ALLOCATION CHANGES**

At the end of the second quarter, the Fund of Funds was still positioned heavily overweight to global equity, with a 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. The change to Regulation 28 limits means we can increase our exposure to global assets to 30% (with an additional 10% for African ex-SA investments), and we are adding to global equity by reducing the allocation to local equity and property. While the local economy appears to be improving, it is tough going. While the ALSI is dominated by globally-focused companies, they are concentrated in a few sectors and we would prefer the more diversified exposure of truly global equity portfolios. 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 year so far and still believe equities should deliver the best returns over time. Our total equity exposure (local plus global) is slightly overweight relative to the long-term strategic weighting, but our bias is towards global.
- The outlook for listed property has dimmed somewhat, but property companies should be able to deliver returns above inflation as rental income grows.
- Local bond yields remain attractive with inflation subdued, while the risk of a further downgrade has diminished. Local bond returns should beat inflation.



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

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- 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](http://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 30 June 2018 are 30.0% (highest), 12.0% (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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