OLD MUTUAL FLEXIBLE FUND

AUGUST 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 deliver long-term equity-like returns, but at lower levels of volatility than equity. The fund will predominantly invest in shares, but the portfolio manager can invest in less risky asset classes when they offer better value.

WHO IS THIS FUND FOR?

This fund is suited to investors who want high long-term capital growth, but also want some protection against short-term fluctuations of the equity market. The fund is suitable for long-term savings outside a retirement fund.

INVESTMENT MANDATE

There are no restrictions on the asset holdings of this fund, except that a maximum of 30% of its portfolio (with an additional 10% for African ex-SA investments) may be invested offshore. The fund invests in money markets, bonds, property and shares. Derivatives may be used for efficient portfolio management purposes.

REGULATION 28 COMPLIANCE

The fund aims to achieve long-term inflation-beating growth, and therefore may hold a higher allocation to equities than what is allowed in terms of Regulation 28 of the Pension Funds Act. This fund is therefore not Regulation 28 compliant.

BENCHMARK:	CPI
PERFORMANCE TARGET:	CPI + 5% to 7% p.a. (net of fees)

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

RISK OBJECTIVE:	Lower volatility than the equity market.
ASISA CATEGORY:	South African – Multi-Asset – Flexible
FUND MANAGER(S):	Peter Brooke & Arthur Karas **(Old Mutual Investment Group – MacroSolutions)**
LAUNCH DATE:	20/08/1996
SIZE OF FUND:	R4.9bn

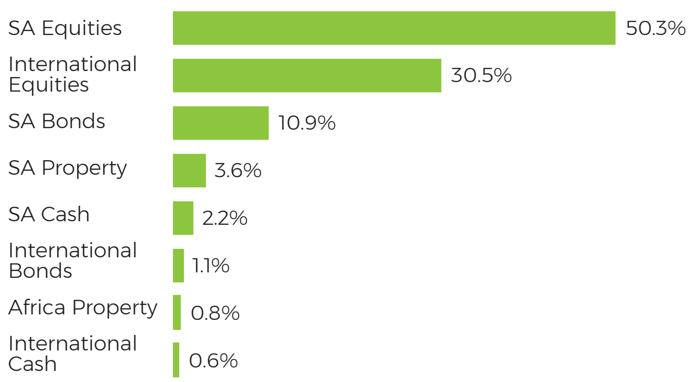
DISTRIBUTIONS: (Half-yearly)*

Date	Dividend	Interest	Total	Total %
30/06/2020	16.55c	10.24c	26.79c	1.78%
31/12/2019	9.41c	10.05c	19.46c	1.16%

* Class A fund distributions

FUND COMPOSITION

ASSET & PERCENTAGE ALLOCATION



FUND PERFORMANCE AS AT 31/08/2020

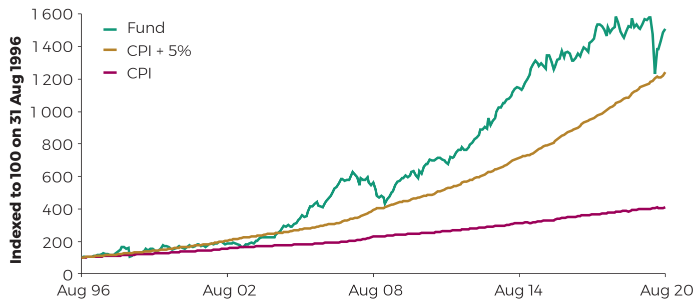
	% PERFORMANCE (ANNUALISED)					
	1-Yr	3-Yr	5-Yr	7-Yr	10-Yr	Since Inception[1]
Fund (Class R)	-0.2%	1.6%	3.3%	6.7%	9.3%	12.0%
Fund (Class A)[2]	-0.5%	1.3%	3.0%	6.1%	8.7%	-
Fund (Class B1)[3]	-0.1%	1.7%	3.4%	6.5%	-	-
Benchmark*	3.2%	4.1%	4.6%	4.9%	5.1%	6.1%

* The CPI figures are lagged by one month as the number was calculated before this month's inflation rate was released.
[1] Performance since inception of the fund.
[2] Inception: 30 June 2007.
[3] Inception: 31 October 2012. 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)	54.0%	12.9%	-26.9%

Performance Since Inception

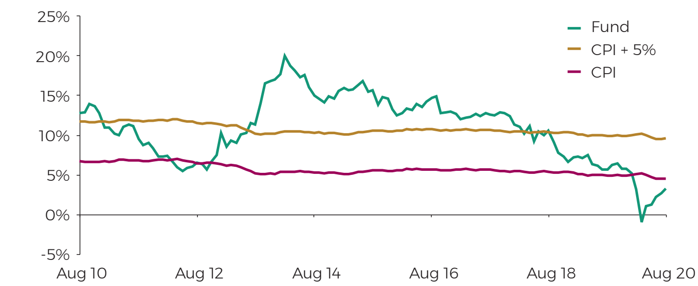


Past performance is no indication of future performance.

Risk Statistics (Since Inception)	
Maximum Drawdown	-35.6%
Months to Recover	17
% Positive Months	60.8%
Annual Standard Deviation	15.1%

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

5-Year Annualised Rolling Returns (Fund vs Benchmark/Performance Target)



PRINCIPAL HOLDINGS AS AT 30/06/2020

HOLDING	% OF FUND
British American Tobacco	5.1%
Prosus NV	3.8%
Naspers Ltd	3.5%
R2035 8.875% 28/02/2035	3.5%
R186 10.5% 21/12/2026	2.7%
Northam Platinum Ltd	2.6%
BHP Group Plc	2.6%
R2032 8.25% 31/03/2032	2.4%
Impala Platinum Holdings Ltd	2.0%
R2030 8.00% 31/01/2030	1.9%

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FUND MANAGER INFORMATION

PETER BROOKE |
PORTFOLIO MANAGER

- Head of MacroSolutions
- BBusSc Finance (Hons)
- 24 years of investment experience

ARTHUR KARAS |
PORTFOLIO MANAGER

- BCom, CFA
- 28 years of investment experience

FUND COMMENTARY AS AT 30/06/2020

In an extraordinary reversal of the previous quarter, global markets have rebounded from one of the fastest crashes of all time, with one of the fastest recoveries of all time. So while equities are still down a little bit year to date (YTD) there are a number of big winners. These are typically growth and technology orientated names, exemplified by the NASDAQ, which is up 12% in 2020. This rally has been delivered against the backdrop of the worst macroeconomic slowdown in living memory and more than 0.5m people dying from Covid-19. The reason markets have gone up is because policymakers have gone all in. On the fiscal side, the average budget deficit is forecast at 14% of GDP, while on the monetary policy side there have been more than 149 rate cuts this year.

South Africa has been no exception, with our Supplementary Budget released in June forecasting a deficit of 15.7%. The South African Reserve Bank (SARB) has slashed rates by 275 basis points (bps) this year, taking the repo rate down to 3.75%, the lowest level since the 1970s. As a result, the Capped Shareholder Weighted Index (Capped SWIX), the most common equity benchmark, roared up 21.6% in the quarter. However, due to the massive fall in the first quarter, year-to-date returns are still down 10.7%. Interestingly, this is pretty much in line with the 12-month decline highlighting that all the damage took place in that first quarter. Local bonds also recovered their losses in the first quarter. However, flat YTD is a poor outcome in a global context, due to our downgrade to junk status.

We are very pleased that markets have recovered, for a number of reasons. Obviously, this helps mitigate the Q1 blow to our clients' wealth – and ours as we are invested alongside them. In addition, we bought equity across our range of solutions during the crash and afterwards. This was based on our better than expected long-term returns, and we did not expect to receive these returns in a quarter. However, some of the shares we purchased did phenomenally well, which highlights the benefit of active asset allocation. Finally, this rebound reaffirms our advice to investors to stick to their investment plan and not to panic in a crash. Typically, the best returns are found after the worst returns.

On a relative basis, we enjoyed a good second quarter, helped by the addition of equity at low prices. However, the recovery was not strong enough to offset a poor first quarter. We had built some holdings in South African mid-sized industrials on the basis of cheap valuations and decent operating models. Examples would be Pepkor Holdings, the best clothing retailer in the mass market, and Super Group, which has a great growth pipeline. These companies suffered in Q1 and have not rebounded as quickly as the market, reflecting the negative impact of South Africa's recession on their profits. We remain excited to own these shares and, with a little time, they will deliver superior returns going forward.

The Old Mutual Flexible Fund has lagged its peers and performance objective by a meaningful margin over the past 12 months. There are several reasons for this outcome. As a growth focused fund the Old Mutual Flexible Fund is overweight in growth assets at most points in the cycle. Over the last 12 months, domestic growth assets have lagged cash by a wide margin. Equity selection within the portfolio has also been a negative contributor. With valuation differentials between growth and value shares at long-time extremes, we have steadily added to cheap and neglected domestic industrials. The outbreak of Covid was particularly tough on these companies, impacting the fund negatively. Cash, bonds and global investments contributed positively to performance.

The second quarter of 2020 has seen a big improvement, as the Old Mutual Flexible Fund performed well ahead of the median of its peers and performance benchmark. The recovery was driven in large part by a strong recovery in the fund's equity portfolio. Mining shares had an exceptional quarter as investors looked forward to a global recovery and supply issues helped keep commodity prices up. Some of the fund's smaller capitalisation shares have also started to recover, reversing some of the negative performance seen since the beginning of the year. Examples would be Kap and Super Group, industrial stalwarts with strong positioning within their sectors. During the past quarter, they rebounded by 60% and 40% respectively. And that leaves both companies still trading at less than half of book value. These are valuation levels not seen since the Global Financial Crisis. We believe that the sharp rebound in their share prices is reflective of the underlying value that these counters represent.

We took advantage of the weakness in the first quarter to add to Prosus, when its discount to its underlying portfolio had widened to excessive levels. Central banks across the world have responded to the Covid crisis with massive fiscal stimulus. We expect this to lead to a cyclical upturn in the months ahead and have added to diversified mining counters. Harmony was another addition as the current environment is also promising for gold shares. These purchases have all outperformed the market since acquisition.

The past 12 months have been disappointing but the strong rebound in the second quarter has confirmed that the Old Mutual Flexible Fund is now well positioned for the months ahead. We believe that the portfolio is appropriately diversified with an attractive portfolio of cheaply priced defensive investments and cyclical stocks geared to a global economic recovery.

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.

TAX REFERENCE NUMBER: 9301/002/60/7

ISIN CODES:	**Class A**	ZAE000097440
	Class B1	ZAE000171104

ONGOING

	Class A	Class B1*	Class R
Annual service fees (excl. VAT)	1.30%	0.95%	1.00%

* 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. 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.

	36 Months			12 Months		
Total Expenses (Incl. Annual Service Fee) (30/06/2020)	**Class A**	**Class B1***	**Class R**	**Class A**	**Class B1***	**Class R**
Total Expense Ratio (TER) Incl. VAT	1.64%	1.23%	1.29%	1.63%	1.22%	1.28%
Transaction Cost (TC)	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Total Investment Charge	1.77%	1.36%	1.42%	1.76%	1.35%	1.41%

* 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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Issued: September 2020