



# OLD MUTUAL MAXIMUM RETURN FUND OF FUNDS

AUGUST 2020

## FUND INFORMATION

### RISK PROFILE



### RECOMMENDED MINIMUM INVESTMENT TERM



### FUND OBJECTIVE

The fund aims to generate the maximum possible investment return over a long-term investment horizon.

### WHO IS THIS FUND FOR?

The fund is suitable for investors requiring long-term growth and who appreciate the nature of this worldwide flexible fund of funds, and who are able to accept the return volatility likely to be associated with its objective of maximising returns.

### INVESTMENT MANDATE

The fund of funds invests primarily in a selection of Old Mutual Group collective investment scheme portfolios offering exposure to South African and international assets. While the primary focus is on shares, nothing prevents the fund manager from gaining exposure to bonds, listed property, cash or other asset classes in order to maximise long-term growth. There is no minimum or maximum that the fund must hold in South African or international assets. Derivatives may be used for efficient portfolio management purposes.

### REGULATION 28 COMPLIANCE

The fund aims to offer exposure to a specific asset class. It holds a higher allocation to both international assets and equities than what is allowed in terms of Regulation 28 of the Pension Funds Act. This fund is therefore not Regulation 28 compliant.

**BENCHMARK:** 60% FTSE/JSE Capped Shareholder Weighted Index, 35% MSCI All Country World Index, 5% STeFI Composite Index

**ASISA CATEGORY:** Worldwide – Multi-Asset – Flexible

**FUND MANAGER(S):** Peter Brooke & Arthur Karas  
(Old Mutual Investment Group – MacroSolutions)

**LAUNCH DATE:** 01/07/2013

**SIZE OF FUND:** R870m

### DISTRIBUTIONS: (Annually)\*

Date	Dividend	Interest	Total	Total %
31/12/2019	2.09c	4.24c	6.33c	1.86%

\* Class A fund distributions

## FUND PERFORMANCE AS AT 31/08/2020

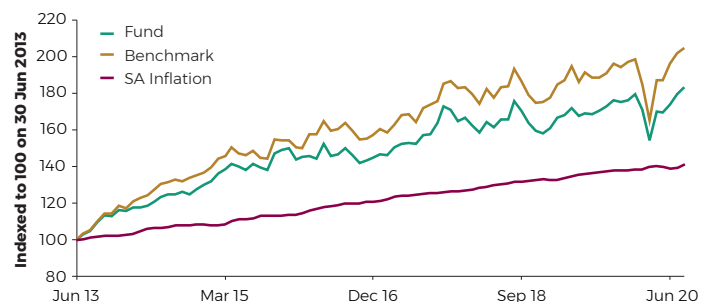
	% PERFORMANCE (ANNUALISED)					
	1-Yr	3-Yr	5-Yr	7-Yr	10-Yr	Since Inception <sup>1</sup>
Fund (Class A)	7.6%	5.2%	5.6%	8.3%	-	8.8%
Fund (Class B) <sup>2</sup>	8.1%	5.5%	6.0%	8.7%	-	9.2%
Benchmark	8.6%	5.6%	7.2%	10.0%	13.2%	10.5%

<sup>1</sup> Performance since inception of the fund.

<sup>2</sup> 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)	23.6%	7.4%	-8.0%

### Performance Since Inception



Past performance is no indication of future performance.

### Risk Statistics (Since Inception)

Maximum Drawdown	-13.9%
Months to Recover	5
% Positive Months	62.8%
Annual Standard Deviation	9.7%

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

## FUND COMPOSITION

### UNDERLYING FUNDS

International Equity Funds	53.9%
Old Mutual Flexible Fund	24.2%
Old Mutual Bond Fund	12.4%
Old Mutual Mid & Small-Cap Fund	6.4%
Old Mutual SA Quoted Property Fund	1.9%
Old Mutual Investors' Fund	1.0%
Liquid Assets	0.2%

### ASSET CLASS EXPOSURES

International Equity	61.3%
SA Equity	19.4%
SA Bonds	14.6%
SA Property	2.7%
SA Cash	1.4%
International Cash	0.4%
International Property	0.2%

THIS IS THE MINIMUM DISCLOSURE DOCUMENT AS REQUIRED BY BOARD NOTICE 92

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

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## FUND MANAGER INFORMATION



**PETER BROOKE |**  
PORTFOLIO MANAGER

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



**ARTHUR KARAS |**  
PORTFOLIO MANAGER

- BCom, CFA
- 27 years of investment experience

(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.

In line with the global recovery in equity markets, the Old Mutual Maximum Return Fund of Funds enjoyed a double-digit gain in Q2. This rebound was mainly driven by the fund's large equity exposure, but the recovery in the South African bond market, which gained 9.9% in Q2, also helped. The fund recovered most of the decline in Q1 and dragged the 12-month return back into positive territory, with a gain of 2.94%. This return contrasts well with the 10.8% decline in the local equity market, but was lower than the 6.9% return from local cash.

Looking forward, one of our strongest calls in the next couple of years is that South African cash is no longer a viable investment option. It has done very well relative to local equity in the last five years and we expect some reversal of this, driven by the aggressive interest rate cuts by the South African Reserve Bank. Accordingly, we continued to invest cash during the quarter. Following our purchases in March, we added a further 3.5% to equity. Our biggest addition to the fund during the crash was buying the Korean equity market and the fund now has a 5% holding. This was driven by Korea's strong response to Covid-19, our long-term preference for Asian growth and a better outlook for semi-conductors. Our purchases in early April have gained 27%, highlighting the opportunity created by the crash.

Following their strong rally in equity markets, we have not added any further equity exposure in June. The fund is basically 60% invested in global equity, with a further 15% each in South African equity and bonds. There is 5% invested in some high return specialist opportunities like preference shares, convertible bonds and property, leaving about 5% in cash. We are now focused on looking for any unique opportunities with the small amount of cash we have left.

Source: Old Mutual Investment Group as at 30/06/2020

## 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

## 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.

### EXIT FEE:

Old Mutual Unit Trusts will charge an exit fee of 2.30% if exiting within 2 weeks of entry and reserves the right to charge this fee if exiting within 6 months of entry. The exit fee will not apply to investments in the fund via the Old Mutual Unit Trusts Tax-Free Investment.

## ONGOING

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

\* 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.

TAX REFERENCE NUMBER: 9543/989/16/5

ISIN CODES:	Class A	Class B1
	ZAE000178703	ZAE000178711

Total Expenses (Incl. Annual Service Fee) (30/06/2020)	36 Months		12 Months	
	Class A	Class B1*	Class A	Class B1*
Total Expense Ratio (TER) Incl. VAT	1.80%	1.40%	1.75%	1.35%
Transaction Cost (TC)	0.09%	0.09%	0.06%	0.06%
Total Investment Charge	1.89%	1.49%	1.81%	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.

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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.oldmutualinvest.com](http://www.oldmutualinvest.com) 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.
- 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 August 2020. 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.

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