



# OLD MUTUAL INCOME FUND

MARCH 2020

## FUND INFORMATION

### RISK PROFILE

Low	Low to Moderate	Moderate	Moderate to High	High
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### RECOMMENDED MINIMUM INVESTMENT TERM

1 year+	3 years+	5 years+
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### FUND OBJECTIVE

The fund aims to offer a high level of income, together with relative capital stability. It aims to pay out a high regular income without putting the investor's money at undue risk. It aims to achieve higher than money market returns by taking on marginally more risk.

### WHO IS THIS FUND FOR?

This fund is suited to investors seeking capital stability. It can be used as a secure parking bay in times of stock market instability as well as a means of phasing money into an equity (share) fund over a period of time.

### INVESTMENT MANDATE

The fund invests in local interest-bearing investments including fixed and floating rate bonds and money market instruments. The average duration of the fund will always be less than two years, which contributes to its relative capital stability. Derivatives may be used for efficient portfolio management purposes.

### REGULATION 28 COMPLIANCE

The fund does not comply with the asset allocation sublimits set out in Regulation 28 of the Pension Funds Act, and therefore the fund is not Regulation 28 compliant.

COMPOSITE BENCHMARK:	80% STeFI Composite Index & 20% All Bond Index		
ASISA CATEGORY:	South African – Interest Bearing – Short Term		
RISK OBJECTIVE:	No negative quarters.		
FUND MANAGER(S):	Wikus Furstenberg (Futuregrowth Asset Management)		
LAUNCH DATE:	22/04/1989		
SIZE OF FUND:	R3.2bn		
DISTRIBUTIONS: (Quarterly)*			
Date	Interest	Yield	Total %
31/03/2020	2.27c	7.64%	1.83%
31/12/2019	2.32c	7.66%	1.83%
30/09/2019	2.32c	7.70%	1.83%
30/06/2019	2.29c	7.59%	1.81%
* Class R fund distributions			

## FUND COMPOSITION

ASSET & PERCENTAGE ALLOCATION	
3-7 Year Bonds	42.7%
1-3 Year Bonds	30.5%
Money Market Instruments*	25.1%
7-12 Year Bonds	1.7%

\* Money market instruments include cash, NCDs and treasury bills.

## FUND PERFORMANCE AS AT 31/03/2020

	% PERFORMANCE (ANNUALISED)					
	1-Yr	3-Yr	5-Yr	7-Yr	10-Yr	Since Inception <sup>1</sup>
Fund (Class R)	5.7%	7.2%	7.6%	6.9%	7.3%	11.1%
Fund (Class B1) <sup>2</sup>	5.9%	7.4%	7.8%	7.1%	-	-
Benchmark	5.2%	7.0%	6.9%	6.6%	6.7%	11.1%

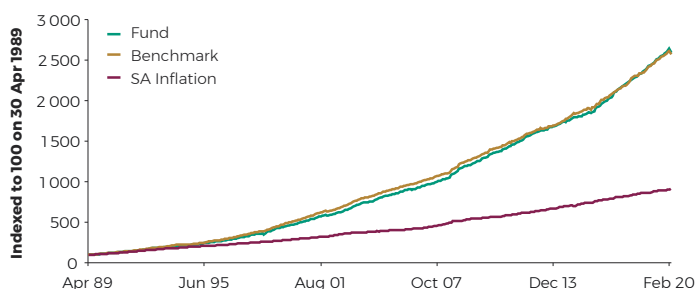
<sup>1</sup> Performance since inception of the fund.

<sup>2</sup> Inception: 31 January 2013. Class B1 fund is available 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)	27.8%	11.2%	3.5%

### Performance Since Inception



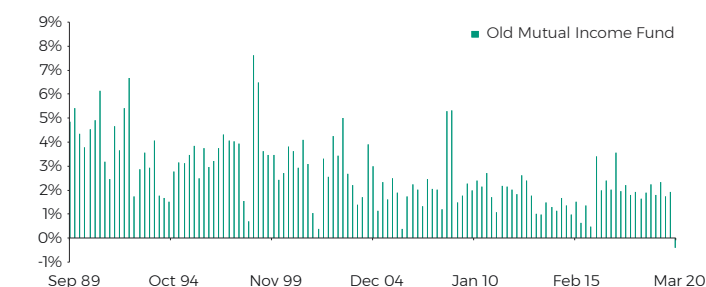
Past performance is no indication of future performance.

### Risk Statistics (Since Inception)

Maximum Drawdown	-5.0%
Months to Recover	2
% Positive Months	95.4%
Annual Standard Deviation	2.6%

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

### Rolling Quarter-end Returns



## PRINCIPAL HOLDINGS

HOLDING	% OF FUND
R186 10.5% 21/12/2026	24.2%
TH13A8 9.63% 21/08/2020	2.0%
NEDJBL96 FRN 12/01/2021	2.0%
IDCG03 8.34% 22/10/2020	2.0%
Eskom Holdings Ltd ES26 02/04/2026	1.8%
COJ05 12.205% 05/06/2023	1.7%
R2030 8.00% 31/01/2030	1.7%
Development Bank of SA DV 23	1.3%
SBS55 FRN 12/06/2022	1.3%
SBS47 FRN 15/02/2023	1.2%

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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**FUTUREGROWTH**  
/ ASSET MANAGEMENT



## FUND MANAGER INFORMATION



### WIKUS FURSTENBERG | PORTFOLIO MANAGER

- MCom (Economics)
- 23 years of investment experience

## FUND COMMENTARY

The disruption to economic activity caused by the COVID-19 pandemic in most parts of the world and the uncertainty about the near-term path, led to the frantic selling across almost all asset classes. Emerging markets are particularly at risk considering a significant global recession. In turn, this fear-fed risk aversion by foreign investors had a devastating impact on currencies and bond markets. The Moody's downgrade of South Africa's only remaining investment grade rating to Ba1, even though widely expected, could not have happened at a worse time. Foreign investors sold close to R50 billion in local bonds over this period. The lack of liquidity was worsened considerably by the National Treasury's decision to relieve private banks, acting in the capacity of official market makers, from the requirement to make two-way prices to the market.

On the nominal side, the yield of the 10-year SA Treasury Bond (R2030) increased from 9.07% at the end of February to over 12%, before ending the quarter at 10.95%, returning -10.74% in March and -9.6% for the first quarter. This intra-month trading range and stock returns are unprecedented and certainly worse than experienced in any preceding crisis period. With the yield curve steepening, the JSE ASSA All Bond Index (ALBI) returned -9.8% for the month and -8.7% for the first quarter.

Both monetary and fiscal authorities across many countries jumped into action during the month in a desperate effort to offset some of the COVID-19 induced destruction to consumer and business confidence. Locally, the South African Reserve Bank (SARB) reduced the repo rate by 1% followed by liquidity support in the form of lower capital requirements for private sector banks, to boost credit extension. The central bank also announced measures to improve the lack of bond market liquidity. While the Ministry of Finance announced several supportive measures, which will cause the budget deficit to balloon further, the jury is out on whether any of this will prove sufficient.

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Considering the market selloff, the R186 holding of 23% turned out to be the single biggest contributor to the disappointing March total fund performance. The fund underperformed its benchmark as we increased exposure into the sell-off. However, for the 12-month period ending March 2020, the fund still outperformed its benchmark by 0.5% on a net-of-fee basis.

We have utilised surplus cash to incrementally add to our R186 (maturity 2026) position into market weakness. The selection of the R186 is because this government bond pays an annual coupon rate of 10.5%, while it is anticipated to benefit from its position on the yield curve in terms of roll-down. It is also less sensitive to any negative fiscal developments compared to longer-dated fixed rate bonds. This strategy led to a gradual increase in the fund's total modified duration position, from an underweight position of -0.4 at the end of 2019 to an overweight position of +0.3% at the end of March, even though the absolute level of 1.6 is still below the maximum mandate limit of 2.0. This reflects some caution from our side considering so much uncertainty. The variable rate bond and term money market exposures of 36% and 27% respectively, still form the core of the investment strategy of ensuring a stable income stream.

Source: Old Mutual Investment Group as at 31/03/2020

## 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.

## ONGOING

	Class R	Class B1*	Class A
Annual service fees (excl. VAT**)	0.75%	0.60%	0.75%

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

### TAX REFERENCE NUMBER: 9430/004/60/7

ISIN CODES:	Class R	ZAE000020822
	Class B1	ZAE000174132

Total Expenses (Incl. Annual Service Fee) (31/03/2020)	36 Months		12 Months	
	Class R	Class B1*	Class R	Class B1*
Total Expense Ratio (TER) Incl. VAT	0.88%	0.71%	0.88%	0.71%
Transaction Cost (TC)	0.01%	0.01%	0.02%	0.02%
Total Investment Charge	0.89%	0.72%	0.90%	0.73%

\* 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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## FUTUREGROWTH

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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, 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.
- 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 March 2020. Sources: Morningstar and Old Mutual Investment Group (FSP no. 604).

Futuregrowth Asset Management (Pty) Ltd is a Licensed Financial Services Provider.

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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Issued: April 2020