OLDMUTUAL

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19 November 2020

Dear Investor

Proposed change to the Old Mutual Bond Fund

As an investor in the **Old Mutual Bond Fund,** we request that you participate in a ballot on a proposed change to the investment policy of the above mentioned portfolio. We believe that the change will be in your best interest and encourage you to read this letter in order to understand the proposed change, and vote accordingly.

Your ballot form must reach our auditors by **29 January 2021** at the latest, for your vote to be counted. If the ballot is successful, the proposed changes will be effective from **26 February 2021**.

The rationale and implications of the proposed changes are explained in the letter attached. We urge you to read this carefully, come to a considered decision and **exercise a vote on the Ballot Form attached as Annexure B.**

Your rights as an investor and actions required with respect to the proposed ballot.

The rights of investors are firmly entrenched in the Collective Investment Schemes Control Act (CISCA), the Main Scheme Deed and the Trust Deed of each portfolio.

1. As an investor in one or more of these unit trust portfolios, you must be given an opportunity to vote in favour of, or against, the proposed changes in terms of section 98 read with clause 67 of CISCA.

2. The proposed changes will not trigger Capital Gains Tax (CGT) unless you switch or disinvest.

   a) If you are uncomfortable with the proposed changes, you may switch your investments to any Old Mutual portfolio at no switching cost, provided we receive switching instructions by no later than **19 February 2021.** Switching costs may apply to investments that are made through a Linked Investment Service Provider platform.

   b) If you are not comfortable with the proposal and do not wish to switch your investments, you may sell your investment at any time and withdraw your funds at the net asset value price, as defined in the relevant Trust Deed.

   c) **A switch or sale of investments will constitute a CGT event** for which you may be liable to pay CGT at your next income tax assessment and will impact your grandfather status (if applicable).

3. If these ballots receive investor approval the proposed changes will automatically apply to your investments, unless you choose to switch or sell them by 19 February 2021, at the latest.

Recommendation
We recommend that you vote in favour of this change as we believe it is in your best interest.

Immediate Action Required

Please complete and sign the enclosed ballot form and return it to our auditors, KPMG, by no later than midnight on **29 January 2021 to:**

Email**:**	OM-ballot@kpmg.co.za
Fax:	0100016659
Mail (free post):	KPMG Incorporated, Business Reply Service Licence No. CB 11396, Cape Town 8000

Please note all ballots date stamped on or before 29 January 2021 will be accepted for three days after the cut-off date for audit purposes.

An independent auditor will verify the outcome of the ballot.

Effective date
The effective date of the proposed changes will be **26 February 2021**, provided that the necessary consent is obtained from investors and the Financial Services Conduct Authority (FSCA).

Contact us
If you have any questions about these changes or any of the other unit trust funds available to you, you may contact your financial adviser or our Unit Trust Client Service Centre by sending an email to unittrusts@oldmutual.com or calling 0860 234 234.

Kind regards

Deon Wessels
Head of Linked Investments

1. **Proposed change to the Investment Policy**

The current fund

The Old Mutual Bond Fund aims to offer a combination of capital growth and high income yields. Capital growth is primarily achieved by actively taking advantage of interest rate cycles.

The fund invests across the full spectrum of the yield curve. It invests in public and private sector bonds and deposits, with at least 50% invested in bonds with an effective government guarantee.

The fund is a South African – Interest Bearing – Variable Term Fund.

The proposed changes

The proposed change to the investment policy of the fund will be strictly in terms of CISCA and will in our opinion not be to the detriment of any client in the fund.

Below is the proposed amendment to the investment policy to specifically allow for the use of derivative instruments in the fund.

Current Investment Policy of the Old Mutual Bond Fund	**Proposed Investment Policy of the Old Mutual Bond Fund**
3. Investment Policy In Respect Of The Old Mutual Bond Fund The Manager will follow an investment policy that will see to secure for investors an optimum overall yield comprising both capital growth and income. In order to achieve these objectives, the securities to be acquired for the Old Mutual Bond Fund will comprise in the main, a mix of Gilts, Semi-Gilts, Loan Stock, financially sound Debentures, Debenture bonds, notes and assets in liquid form.	**3. Investment Policy In Respect Of The Old Mutual Bond Fund** 3.1 The Manager will follow an investment policy that will see to secure for investors an optimum overall yield comprising both capital growth and income. In order to achieve these objectives, the securities to be acquired for the Old Mutual Bond Fund will comprise in the main, a mix of Gilts, Semi-Gilts, Loan Stock, financially sound Debentures, Debenture bonds, notes and assets in liquid form. **The portfolio may from time to time invest in listed and unlisted financial instruments, in accordance with the provisions of the Act, and the Regulations thereto, as amended from time to time, in order to achieve the portfolio's investment objective.**
3.1 Nothing in this Supplemental Deed shall preclude the Manager from varying the ratios of securities, non-equity securities and assets in liquid form, in terms of changing economic environment, legislation or market conditions and from retaining cash or placing cash on deposit in terms of the Deed and this supplemental deed,	3.2 Nothing in this Supplemental Deed shall preclude the Manager from varying the ratios of securities, non-equity securities and assets in liquid form, in terms of changing economic environment, legislation or market conditions and from retaining cash or placing cash on deposit in terms of the Deed and this supplemental deed, providing the

providing the Manager shall ensure that the aggregate value of the assets comprising the portfolio shall consist of non-equity securities and assets in liquid form of the aggregate value required from time to time by the Act.	Manager shall ensure that the aggregate value of the assets comprising the portfolio shall consist of non-equity securities and assets in liquid form of the aggregate value required from time to time by the Act.
3.2 The trustee shall ensure that the investment policy is carried out; provided that nothing in this supplemental deed and the deed contained, shall preclude the Manager from purchasing non-equity securities and assets in liquid form and from retaining cash in the portfolio and/or placing cash in terms of the deed.	3.3 The trustee shall ensure that the investment policy is carried out; provided that nothing in this supplemental deed and the deed contained, shall preclude the Manager from purchasing non-equity securities and assets in liquid form and from retaining cash in the portfolio and/or placing cash in terms of the deed.
Other Impact	
ASISA Category	Remains Unchanged
Fund Objective	Remains Unchanged
Benchmark	Remains Unchanged
Fees	Remains Unchanged

Impact of the proposed change on you as Investor

a) CISCA allows for the use of derivative instruments for the purpose of efficient portfolio management. The ability to make use of derivatives enables the Portfolio Manager to reduce risk and enhance the performance of the fund.
b) The ability to make use of derivative instruments will expand the investable universe of the fund, resulting in better issuer diversification and reduced concentration risk. It will also enable the manager to more effectively manage interest rate risk.
c) The allowance for the use of derivate instruments will not impact on the objective of the Fund, which will still aim to offer a combination of capital growth and high income yields.
d) The portfolio may gain exposure to listed and unlisted derivatives which may be used for efficient portfolio management purposes. There are certain risks associated with the use of derivatives however these risks can be mitigated. If these risks are not well mitigated, this may result in portfolio losses. However, derivatives can also be a great risk management tool to reduce risk and increase returns.
e) The ASISA Category, Benchmark and Fees of the Fund will also remain unchanged.