

OLDMUTUAL

ABRIDGED ANNUAL REPORT 2018

OLD MUTUAL UNIT TRUST MANAGERS (RF) (PTY) LIMITED



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Please note: This Abridged Annual Report contains limited information on Old Mutual Qualified Investor Hedge Fund Scheme. For more detailed information on these funds please go to www.omut.co.za or call 0860 234 234. Copies of the audited financial statements may be obtained, free of charge, and on request, from the management company.

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CHAIRMAN'S MESSAGE TO UNITHOLDERS

2018 INVESTMENT MARKETS OVERVIEW

2018 has been a very volatile year for South African equities, marked by a sharp decline in October. Although there was a partial recovery in December, this was not enough to end the year in positive territory. The 8.5% loss in 2018 has been the first negative calendar year for the JSE All Share Index since 2008. Although global equity markets also struggled in 2018, the depreciation of the rand against the US dollar boosted global returns for SA investors somewhat.

South African fixed interest – bonds and money market assets – delivered a positive but uninspiring return. This means that over the past five years, local equity returns were barely positive in real terms. The JSE was battered by the volatility on global markets, but also by the impact of emerging market outflows, a weak domestic economy, political uncertainty and, importantly, a number of company-specific problems.

It is, however, encouraging that January 2019 has seen the best start to the year for the South African rand in three decades. In addition, global equities recovered strongly, this after the worst December year-end for the Standard & Poor's 500 Index – a benchmark for US stocks – since the 1930s. Although the recovery is welcome, January accentuates the increasingly volatile nature of investment markets.

It's understandable that investors are confused and worried in the current environment. However, now is the time to stick to the three main principles of successful investing, namely: 1. Remember that time out of the market is costly, and it's almost impossible to time entry and exit. Investors should rather stick to their optimal asset mix strategy (cash, fixed interest, equities) – the market will go through ups and downs, but it still offers the best chance for inflation-beating returns over the long term. 2. It's important not to chase performance, as past performance is not an indicator of future performance. 3. Ignore short-term market noise and avoid emotional investment decisions. Talking to a financial adviser before investing, switching or disinvesting is crucial.

ANCHORED IN AFRICA

On 26 June 2018, Old Mutual Limited (OML) listed on the Johannesburg Stock Exchange (JSE), with secondary listings also taking place on the same day in the United Kingdom, Namibia, Malawi and Zimbabwe. This move firmly anchored OML as a Pan African financial services company, reflecting a strengthened focus on Africa and reinforcing its role in the lives of clients. With this, Old Mutual was rebranded and reinvigorated to build a strong, unified brand and fully leverage the history and strength of 173 years on the African continent. On 26 September 2018, Old Mutual announced the unbundling of its majority shareholding in Nedbank to its shareholders with the distribution taking place on 15 October 2018. Old Mutual will continue to work closely with the Nedbank team for the continued benefit of the clients and shareholders of both

our companies. The unbundling of Nedbank's shares completed the process of Managed Separation, which was first announced by Old Mutual plc in March 2016.

SA BUDGET SPEECH

The South African Revenue Service (SARS) once again collected R42 billion less tax revenue than expected in the fiscal year ending in March 2019. No major tax changes were announced. The Minister of Finance reiterated the Eskom unbundling announced by the President in his State of the Nation Address. Government is setting aside R23 billion a year over the next three years to financially support Eskom during its reconfiguration.

Inflation was lower than expected in January 2019, declining to 4% year on year, while underlying inflationary pressures are still very weak. Both food and fuel inflation can be expected to rise in coming months; food due to drought conditions and fuel prices because of a combination of a weaker rand, higher global oil prices, increases in the fuel levy and Road Accident Fund levy, as well as the new carbon tax.

Only Moody's still maintains an investment grade rating for South African local currency bonds.

The risk of a downgrade in our status to below investment grade remains, and if this occurs, it could lead to outflows, with a significant impact on the rand and on interest rates.

RATIONALISING OUR FUND RANGE

As part of our ongoing commitment to provide investment solutions that meet our clients' needs, we make every effort to offer a simple, concise and consistent fund range to make it easier for our clients to do business with us and simplify their investment decisions. As such, we initiated a fund rationalisation project, which proposes to reduce the number of funds in our retail fund range.

Because of this rationalisation, you may, from time to time, receive communication from us asking you to vote in favour of, or against a proposed amalgamation, should you have exposure to any of the impacted funds. Ultimately, a simplified fund range will allow investment managers to focus their efforts on a core fund range, which will be to the benefit of our clients.

ONLINE BUYING FORM TO LAUNCH SOON

As a future-fit company, we use technology to improve our service. Our online buying form, My Shopper, will make it easier for clients to invest with us digitally. Clients will also be able to upload their documents online, without the need to print, sign and scan. Advancing our digital offering will create a more streamlined experience saving our clients time and also making investing with us as easy as possible.

CHAIRMAN'S MESSAGE TO UNITHOLDERS (CONTINUED)

FUND PERFORMANCE

Our Old Mutual Investment Group multi-asset funds have all achieved a four-star rating by Morningstar. This has been delivered by following a disciplined, repeatable process and by taking both price and prevailing market themes into account. Risk management has been critical in delivering performance with a lower volatility relative to our competitors.

WINNER OF TWO TOP 500 AWARDS

Old Mutual Investment Group won two 2018 Top 500 Awards for Best Managed Company in the Financial Services Sector as well as the headline award for Best Managed Company of the Year, ahead of South Africa's most prestigious companies. These awards recognise our continuous quest to build sustainable investment outcomes for our clients, country and planet.

EXCITING ESG INDEX ADDITIONS TO OUR FUND RANGE

In line with our commitment to integrate Responsible Investing (RI) practices across our investment strategies and growing client needs, we launched South Africa's first retail ESG Index unit trusts in November 2018. The Old Mutual MSCI World ESG Feeder Fund and Old Mutual MSCI Emerging Markets ESG Feeder Fund are managed by Old Mutual Customised Solutions (Pty) Ltd, a boutique within Old Mutual Investment Group. This means that there is now a lower-cost, responsible investment option available to retail investors.

In conclusion, while 2018 has been an eventful year, I believe that it has laid the foundation for us to improve our focus on providing excellent service and relevant, sustainable solutions to meet the needs of our clients.



Peter de Beyer

Chairman: Old Mutual Unit Trusts

ABRIDGED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Old Mutual Aristeia Opportunities QI Hedge Fund	Old Mutual Chronos QI Hedge Fund	Old Mutual Managed Alpha QI Hedge Fund	Old Mutual Volatility Arbitrage QI Hedge Fund
Net (loss)/income from operations before finance costs	10 255	(664)	(1 626)	10 077
Total finance costs	10 525	3 933	15 449	10 207
Distributions	10 525	3 933	15 449	10 207
Change in net assets attributable to unitholders	(270)	(4 597)	(17 075)	(130)

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

Total assets	174 035	67 703	200 160	173 824
Total liabilities, excluding net assets attributable to unitholders	6 286	2 211	8 234	6 318
Net assets attributable to unitholders	167 749	65 492	191 926	167 506

PORTFOLIO COMPOSITION (%) AS AT 31 DECEMBER 2018

	Cash and cash equivalents*	Money market instruments	Derivatives at fair value#	Bonds	Unit trusts		Equity	
					Local	Foreign	Local	Foreign
Old Mutual Aristeia Opportunities QI Hedge Fund	1.10	84.04	-	14.86	-	-	-	-
Old Mutual Chronos QI Hedge Fund	46.12	24.19	-	29.01	-	-	0.68	-
Old Mutual Managed Alpha QI Hedge Fund	3.79	64.16	-0.88	32.93	-	-	-	-
Old Mutual Volatility Arbitrage QI Hedge Fund	1.16	86.10	-	12.74	-	-	-	-

* Only capital, current and call deposits are included.

Where portfolios hold SAFEX instruments the fair value of derivative assets and liabilities is zero.

INVESTMENT PERFORMANCE (%) AS AT 31 DECEMBER 2018

	1 YEAR (Class A1)
Old Mutual Aristeia Opportunities QI Hedge Fund	5.9
Old Mutual Chronos QI Hedge Fund	1.3
Old Mutual Managed Alpha QI Hedge Fund	-0.8
Old Mutual Volatility Arbitrage QI Hedge Fund	6.1

INCOME DISTRIBUTION PER UNIT (CENTS) AS AT 31 DECEMBER 2018

	MARCH 2018 (Class A1)	JUNE 2018 (Class A1)	SEPTEMBER 2018 (Class A1)	DECEMBER 2018 (Class A1)
Old Mutual Aristeia Opportunities QI Hedge Fund	-	6.25	-	5.71
Old Mutual Chronos QI Hedge Fund	-	4.24	-	4.72
Old Mutual Managed Alpha QI Hedge Fund	-	6.73	-	5.90
Old Mutual Volatility Arbitrage QI Hedge Fund	-	5.88	-	6.36

PRICE, TOTAL EXPENSE RATIO (TER) AND PERFORMANCE FEE AS AT 31 DECEMBER 2018

	LAST PUBLISHED PRICE	TOTAL EXPENSE RATIO (TER)	PERFORMANCE FEE COMPONENT OF TER
	(31/12/2018)	Percentage per Class (%)	%
	(Class A1)	(Class A1)	
Old Mutual Aristeia Opportunities QI Hedge Fund	206.12	2.13	1.19
Old Mutual Chronos QI Hedge Fund	186.78	1.45	N/A
Old Mutual Managed Alpha QI Hedge Fund	192.59	1.59	0.21
Old Mutual Volatility Arbitrage QI Hedge Fund	206.49	1.94	0.99

OLD MUTUAL UNIT TRUST MANAGERS (RF) (Pty) Ltd

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TRUSTEE'S REPORT

Standard Bank of South Africa Limited provides custodian services for a fee as disclosed in the statement of comprehensive income.

Report in terms of section 70(f) of the Collective Investment Schemes Control Act (the Act), No. 45 of 2002, for the period 1 January 2018 to 31 December 2018 – Old Mutual Qualified Investor Hedge Fund Scheme.

We confirm that according to the records available to us, no losses were suffered in the portfolios and no investor was prejudiced as a result thereof.

We conclude our report by stating that we reasonably believe that the Manager has administered the Schemes in accordance with:

- (i) the limitations imposed on the investment and borrowing powers of the manager by the Act; and
- (ii) the provisions of the Act and the deed.

IMPORTANT NOTICE:

In terms of the Collective Investment Schemes Control Act, the trustees of all unit trust companies must report on their adherence to limitations imposed on investing, borrowing powers and the general provisions of the Act and Trust Deed. Our trustee, Standard Bank of South Africa Limited, have released Old Mutual Qualified Investor Hedge Fund Scheme report for 2018. The report does not detail any material breaches and is available from the Manager on request and may be viewed at the registered offices of the Manager.



STATUTORY INFORMATION:

Only the A Class fund portfolios have been included in this Abridged Annual Report. Performance figures are only disclosed for funds that have been in existence for more than one year. A fund portfolio is identical for all the respective classes of that fund. Different classes purely reflect different fee structures, not different portfolio compositions. The A Classes have been selected for this Annual Report as this is the only class of units which a retail investor can purchase directly from Old Mutual Unit Trust Managers (RF) (Pty) Ltd. Note that full details of all the funds and classes are available in the full Annual Report. All performance figures are based on lump sum investments to December 2018. Unit trusts are generally medium- to long-term investments. Past performance is no indication of future growth. Shorter term fluctuations can occur as your investment moves in line with the markets. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Unit trusts can engage in borrowing and scrip lending. The fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. A schedule of fees, charges and maximum commissions is available from the company. You may sell your investment at the monthly ruling price on the first working day of the month in advance of the Transaction Date, unless agreed to be later in terms of a Service Level Agreement. The Transaction Date is the last working day of the calendar month. Certain funds may be capped to be managed in accordance with their mandates. Old Mutual is a member of the Association for Savings and Investment SA.

Source: Morningstar.

The performance is calculated on a NAV-NAV basis and does not take any initial fees into account. Income is reinvested on the ex-dividend date. Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income.