



COMPASS PORTFOLIO

QUARTERLY REPORT


QUARTER 4 **2017**



OLD MUTUAL
INTERNATIONAL

Old Mutual International (part of Old Mutual Wealth, a leading provider of wealth management solutions) provides your clients with access to the Compass Portfolios. These are defined here as 'Portfolios', a range of risk-targeted portfolios managed by the multi-asset team at Old Mutual Wealth's Investment Division.

The table below lists the Old Mutual International Isle of Man and Old Mutual International Ireland products that provide access to these Portfolios and the corresponding Compass Portfolio name.

FUND NAME		
	Old Mutual International Isle of Man (OMI IM)/Ireland (OMI IE) Compass Portfolios Available through the Managed Capital Account, Executive Wealthbuilder Account and European Capital Account.	Old Mutual Compass Portfolios Available through Old Mutual International Isle of Man/Ireland Portfolio Bonds.
RISK RATING		
HIGH RISK	OMI IM/OMI IE Compass Portfolio 5	Old Mutual Compass Portfolio 5
	OMI IM/OMI IE Compass Portfolio 4	Old Mutual Compass Portfolio 4
	OMI IM/OMI IE Compass Portfolio 3	Old Mutual Compass Portfolio 3
LOW RISK	OMI IM/OMI IE Compass Portfolio 2	Old Mutual Compass Portfolio 2

The Old Mutual Compass Portfolios are the underlying funds for the Old Mutual International Compass Portfolios.

Please visit our website www.oldmutualinternational.com/compassportfolios for further information on how to access these Portfolios through an Old Mutual International product.

Investing can be complex, which is one of the reasons why Old Mutual International only sells its products through financial advisers. We recommend that you speak to your Old Mutual International consultant if you have any questions, or if there is anything in this report which you need explained further. We have included a glossary for use on page 15.

A NOTE FROM YOUR PORTFOLIO MANAGER



ANTHONY GILLHAM
PORTFOLIO MANAGER

As I look back on 2017, there is little that jumps out as particularly remarkable. Global equities continued their march higher, posting double-digit returns driven by the now familiar twin themes of growth and technology, whilst bond yields again fell, benefiting both governments and corporations alike. Furthermore, not only did we enjoy universally strong asset class performance, but strong returns were felt across all regions of the globe in both developed and emerging markets.

A decade on from the financial crisis, it seems investors have concluded that central bankers have managed to engineer a so called 'goldilocks recovery', where growth has recovered sufficiently to take over the baton from what, at points, has seemed like a never ending flow of quantitative easing (QE), but not one so strong as to warrant complete and immediate detox. As a result, central bankers have felt increasingly comfortable in slowly withdrawing the monetary stimulus.

As that comfort has grown, early in 2018 we have learned that the European Central Bank, which spent much of its time in 2016 and 2017 addressing threats to its existence, and continues to face stubbornly high youth unemployment, is discussing the possibility of terminating its quantitative easing programme earlier than previously indicated. This change in mindset makes this year an altogether more interesting prospect, particularly for active managers.

To understand what's changing the central bankers' outlook, we need to recall why former US Federal Reserve Chairman, Ben Bernanke, and his global peers embarked on this journey in the first place: the spectre of deflation. Bernanke understood that at its heart, the Western capitalist system is based on positive inflation. Consumers are encouraged to spend today, but when faced with falling prices will defer their consumption in the pursuit of a better deal. This circle demonstrates why deflation is so dangerous for economic growth and explains why Bernanke was so determined to stamp out the risk.

Today, however, there is growing evidence that inflation is recovering and the threat of deflation should no longer be of concern. We can observe this evidence directly in the inflation numbers, but also in leading indicators of inflation, such as capacity utilisation and unemployment. In fact for many economists, the rise in capacity utilisation and fall in unemployment over recent years has long justified faster increases in interest rates and more aggressive QE withdrawal than central bankers have so far delivered.

Key market considerations for 2018

For some time now, my team and I have been focused on the outlook for inflation and, whilst recognising the improvement in leading indicators over recent years, have positioned portfolios to protect against lower inflation. This is why we continue to hold developed market government bonds; one of the few assets we believe is truly capable of hedging deflation. However, as the economic narrative has moved on, we too have taken the opportunity in recent months to reflect on this, and to consider what the implications would be if inflation were to accelerate at a faster rate and for central bankers to react more aggressively in removing QE. In other words, should we be doing more to protect portfolios from inflation at this point in the economic cycle and what might this protection look like?

One important change to consider carefully is the recent US tax reforms. There are two primary implications for inflation to consider; the first is individual tax cuts, which could reinforce an already embedded consumer recovery and strengthen confidence further. The second relates to business, but here the impact is less certain. By lowering the corporation tax rate, we might expect a similar inflationary response from business as confidence grows. However, the changes also reform the rules governing corporate tax incentives to invest, which, if successful, should increase capacity and allow business to grow without stoking inflation. This is a key issue that we will continue to evaluate over the first quarter, in particular examining corporate earnings announcements.

A NOTE FROM YOUR PORTFOLIO MANAGER

(CONTINUED)

We believe commodity prices also warrant careful consideration. Having recovered after the lull of 2015/6, the short-term inflation impulse that this delivered was expected to roll out of the economic data after the end of the first quarter 2018 and exert a downward pressure on inflation. However, both oil and metal prices have surged in the past six months, which threaten to have opposite impact on economic data.

However, there continue to be reasons to remain sanguine. For UK investors, the decline in annual inflation in the final month of 2017 represents a stark reminder of this. As sterling recovers, the impact of imported inflation declines, in particular offsetting some of the recent commodity price rises (commodities are priced in US dollars).

Evidence for a more benign outlook for inflation also exists with other leading indicators. Whilst we have discussed the decline in the employment rate as a reason to expect higher inflation in the future, wage rises paint a different picture and remain stubbornly low. In fact, in the US, wage growth peaked all the way back in 2015, highlighting the structural challenges that remain in the labour market. This benign view remains the central expectation of the bond market, and whilst market levels of short-term inflation have risen to reflect some of these risks, longer-term measures remain relatively anchored.

How we are positioning our portfolios for 2018

As a result, we continue to emphasise balance in our portfolios. We retain exposure to assets that will help safeguard returns in the event that inflation remains contained or is lower than expected. These assets include government bonds, both developed and emerging markets, and growth-sensitive equities, including those within emerging markets. However, we have also ensured that we have the right degree of protection should inflation accelerate. Our strategy is multi-faceted and includes more obvious inflation hedges such as inflation linked bonds, infrastructure debt and infrastructure equity, but also exposure to areas of the equity market that will likely perform better if interest rates rise, notably value (less expensive) equities in the US.

At the moment, we remain comfortable with this hedged position, but now, more than any point in the recent past, we are attuned to the risks of accelerating inflation. The currently synchronised nature of global growth, coupled to the mindset of central bankers to remove monetary stimulus in response, is perhaps more apparent than at any point in the last 10 years, whilst its removal is untested, which risks an unexpected and negative market response. As a result, it's important to ensure that portfolios contain strategies that are robust to all inflation scenarios, in order that we can continue to deliver the all-weather returns that our multi-asset investors expect.

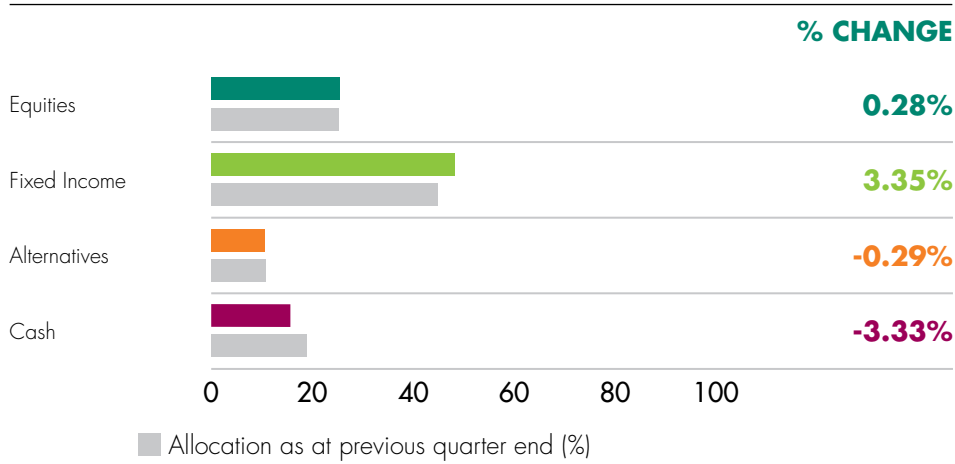
Regards,



ANTHONY GILLHAM
PORTFOLIO MANAGER

SUMMARY OF COMPASS PORTFOLIO 2

ASSET ALLOCATION BREAKDOWN



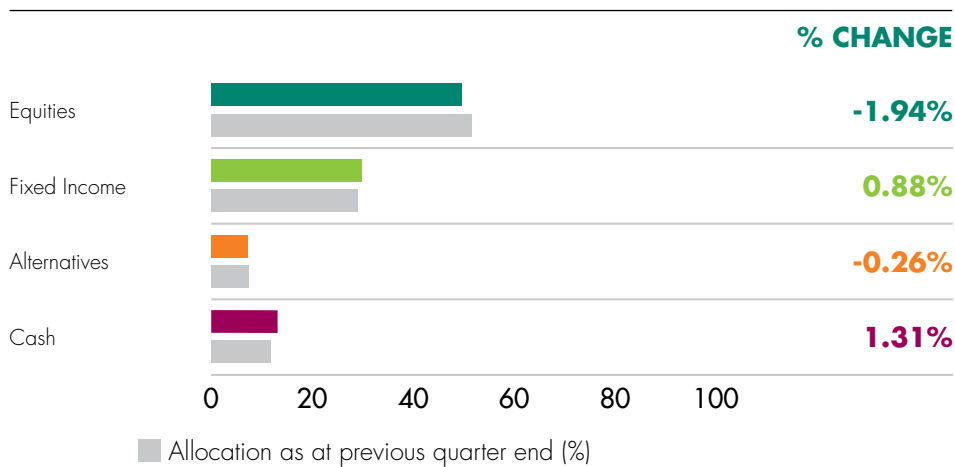
THE COMPASS PORTFOLIO'S PERCENTAGE GROWTH TO MONTH END PERFORMANCE

Holding	3 months	6 months	1 year	3 years	5 years	Since launch	Launch date
Old Mutual Compass Portfolio 2 - A (AUD) Hedged Accumulation Shares	1.80%	3.20%	6.60%			6.50%	14/10/2016
Old Mutual Compass Portfolio 2 - A (EUR) Hedged Accumulation Shares	1.10%	1.90%	4.10%			2.90%	19/04/2016
Old Mutual Compass Portfolio 2 - A (GBP) Hedged Accumulation Shares	1.30%	2.20%	5.00%			4.40%	19/04/2016
Old Mutual Compass Portfolio 2 - A (SGD) Hedged Accumulation Shares	1.60%	2.80%	5.70%			5.70%	19/04/2016
Old Mutual Compass Portfolio 2 - A (USD) Accumulation Shares	1.70%	3.10%	6.50%			6.70%	19/04/2016

Where a fund invests in securities designated in a different currency to the currency of the Old Mutual International product or where an underlying fund is denominated in a different currency, investments may rise and fall purely as a result of exchange rate fluctuations. Past performance is not necessarily indicative of future performance. Any prediction, projection, or forecast on the economy, securities markets or the economic trends of the markets is not necessarily indicative of the future performance. The value and any income accruing to the investments, if any, may fall or rise. An investment is subject to investment risks, including the possible loss of the principal amount invested. Exchange rates may cause the value of overseas investments to rise or fall. Source: Factset. © Morningstar. All Rights Reserved. All information as at 31 December 2017 unless otherwise stated. Performance displayed relates to the underlying Portfolio as managed by the Old Mutual Wealth Multi-Asset team. Due to rounding and the use of the derivatives – financial instruments that derive their values from other underlying assets – the allocations may not add up to 100%.

SUMMARY OF COMPASS PORTFOLIO 3

ASSET ALLOCATION BREAKDOWN



THE COMPASS PORTFOLIO'S PERCENTAGE GROWTH TO MONTH END

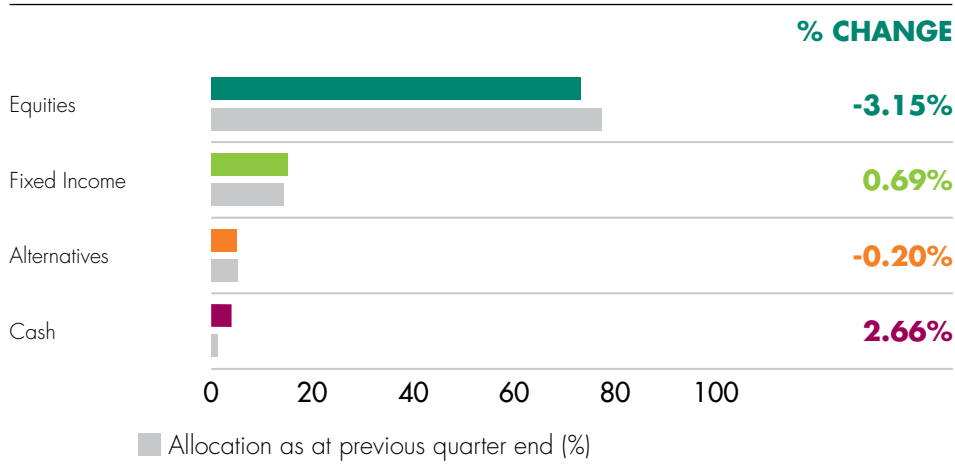
PERFORMANCE

Holding	3 months	6 months	1 year	3 years	5 years	Since launch	Launch date
Old Mutual Compass Portfolio 3 - A (AUD) Hedged Accumulation	3.30%	5.40%	11.60%			12.40%	14/10/2016
Old Mutual Compass Portfolio 3 - A (EUR) Hedged Accumulation Shares	2.50%	4.00%	9.00%			9.00%	19/04/2016
Old Mutual Compass Portfolio 3 - A (GBP) Hedged Accumulation Shares	2.80%	4.40%	9.90%			10.40%	19/04/2016
Old Mutual Compass Portfolio 3 - A (SGD) Hedged Accumulation Shares	3.10%	5.00%	10.70%			12.10%	19/04/2016
Old Mutual Compass Portfolio 3 - A (USD) Accumulation Shares	3.20%	5.30%	11.50%			13.10%	19/04/2016

Where a fund invests in securities designated in a different currency to the currency of the Old Mutual International product or where an underlying fund is denominated in a different currency, investments may rise and fall purely as a result of exchange rate fluctuations. Past performance is not necessarily indicative of future performance. Any prediction, projection, or forecast on the economy, securities markets or the economic trends of the markets is not necessarily indicative of the future performance. The value and any income accruing to the investments, if any, may fall or rise. An investment is subject to investment risks, including the possible loss of the principal amount invested. Exchange rates may cause the value of overseas investments to rise or fall. Source: Factset. © Morningstar. All Rights Reserved. All information as at 31 December 2017 unless otherwise stated. Performance displayed relates to the underlying Portfolio as managed by the Old Mutual Wealth Multi-Asset team. Due to rounding and the use of the derivatives – financial instruments that derive their values from other underlying assets – the allocations may not add up to 100%.

SUMMARY OF COMPASS PORTFOLIO 4

ASSET ALLOCATION BREAKDOWN



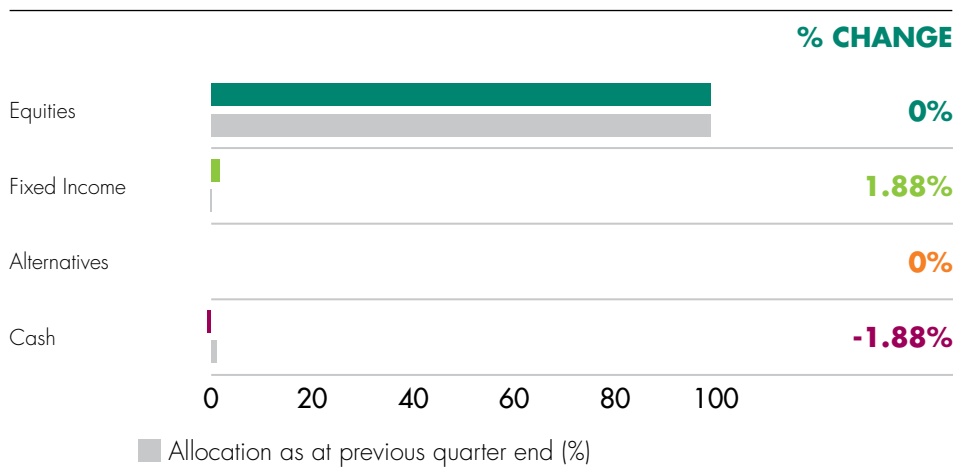
THE COMPASS PORTFOLIO'S PERCENTAGE GROWTH TO MONTH END PERFORMANCE

Holding	3 months	6 months	1 year	3 years	5 years	Since launch	Launch date
Old Mutual Compass Portfolio 4 - A (AUD) Hedged Accumulation	5.20%	7.90%	16.80%			18.70%	14/10/2016
Old Mutual Compass Portfolio 4 - A (EUR) Hedged Accumulation Shares	4.40%	6.50%	14.00%			15.40%	19/04/2016
Old Mutual Compass Portfolio 4 - A (GBP) Hedged Accumulation Shares	4.60%	6.90%	14.90%			16.60%	19/04/2016
Old Mutual Compass Portfolio 4 - A (SGD) Hedged Accumulation Shares	5.00%	7.40%	15.80%			18.50%	19/04/2016
Old Mutual Compass Portfolio 4 - A (USD) Accumulation Shares	5.10%	7.80%	16.70%			19.70%	19/04/2016

Where a fund invests in securities designated in a different currency to the currency of the Old Mutual International product or where an underlying fund is denominated in a different currency, investments may rise and fall purely as a result of exchange rate fluctuations. Past performance is not necessarily indicative of future performance. Any prediction, projection, or forecast on the economy, securities markets or the economic trends of the markets is not necessarily indicative of the future performance. The value and any income accruing to the investments, if any, may fall or rise. An investment is subject to investment risks, including the possible loss of the principal amount invested. Exchange rates may cause the value of overseas investments to rise or fall. Source: Factset. © Morningstar. All Rights Reserved. All information as at 31 December 2017 unless otherwise stated. Performance displayed relates to the underlying Portfolio as managed by the Old Mutual Wealth Multi-Asset team. Due to rounding and the use of the derivatives – financial instruments that derive their values from other underlying assets – the allocations may not add up to 100%.

SUMMARY OF COMPASS PORTFOLIO 5

ASSET ALLOCATION BREAKDOWN



THE COMPASS PORTFOLIO'S PERCENTAGE GROWTH TO MONTH END PERFORMANCE

Holding	3 months	6 months	1 year	3 years	5 years	Since launch	Launch date
Old Mutual Compass Portfolio 5 - A (AUD) Hedged Accumulation	7.20%	10.70%	22.70%			25.10%	14/10/2016
Old Mutual Compass Portfolio 5 - A (EUR) Hedged Accumulation Shares	6.40%	9.30%	19.90%			21.70%	19/04/2016
Old Mutual Compass Portfolio 5 - A (GBP) Hedged Accumulation Shares	6.60%	9.70%	20.90%			22.70%	19/04/2016
Old Mutual Compass Portfolio 5 - A (SGD) Hedged Accumulation Shares	7.00%	10.30%	21.60%			24.60%	19/04/2016
Old Mutual Compass Portfolio 5 - A (USD) Accumulation Shares	7.20%	10.70%	22.80%			26.20%	19/04/2016

Where a fund invests in securities designated in a different currency to the currency of the Old Mutual International product or where an underlying fund is denominated in a different currency, investments may rise and fall purely as a result of exchange rate fluctuations. Past performance is not necessarily indicative of future performance. Any prediction, projection, or forecast on the economy, securities markets or the economic trends of the markets is not necessarily indicative of the future performance. The value and any income accruing to the investments, if any, may fall or rise. An investment is subject to investment risks, including the possible loss of the principal amount invested. Exchange rates may cause the value of overseas investments to rise or fall. Source: Factset. © Morningstar. All Rights Reserved. All information as at 31 December 2017 unless otherwise stated. Performance displayed relates to the underlying Portfolio as managed by the Old Mutual Wealth Multi-Asset team. Due to rounding and the use of the derivatives – financial instruments that derive their values from other underlying assets – the allocations may not add up to 100%.

HOLDINGS WITHIN THE COMPASS PORTFOLIOS

Holding name	Fund manager (where applicable)	Asset type	Compass Portfolio 2	Compass Portfolio 3	Compass Portfolio 4	Compass Portfolio 5
EQUITY						
ASIA PACIFIC (INC JAPAN) EQUITY						
AUSTRALIAN EQUITY EXPOSURE		DERIVATIVE	0.00%	0.40%	0.91%	1.68%
BAILLIE GIFFORD JAPANESE INCOME GROWTH	BAILLIE GIFFORD	COLLECTIVE	1.42%	1.17%	2.00%	1.87%
HERMES ASIA EX-JAPAN EQUITY	HERMES	COLLECTIVE	0.71%	1.06%	2.14%	2.67%
JAPANESE EQUITY EXPOSURE		DERIVATIVE	0.00%	1.74%	2.89%	5.64%
OM ASIAN EQUITY (OMGI)	OLD MUTUAL	COLLECTIVE	0.49%	1.02%	2.22%	2.70%
SCHRODERS ASIA - VOYAGER GLOBAL DYNAMIC EQUITY MANDATE	SCHRODERS (ASIA)	COLLECTIVE	0.88%	1.65%	1.65%	1.68%
SCHRODERS JAPAN - VOYAGER GLOBAL DYNAMIC EQUITY MANDATE	SCHRODERS (JAPAN)	COLLECTIVE	0.62%	1.16%	1.16%	1.18%
EMERGING MARKETS EQUITY						
BLACKROCK LATIN AMERICA OPPS	BLACKROCK	COLLECTIVE	0.16%	0.31%	0.66%	1.00%
EMERGING EQUITY EXPOSURE		DERIVATIVE	0.25%	0.90%	1.18%	2.96%
OLD MUTUAL GLOBAL EMERGING MARKETS	OLD MUTUAL	COLLECTIVE	0.01%	0.00%	0.00%	0.00%
WELLS FARGO - VOYAGER GLOBAL DYNAMIC EQUITY MANDATE	WELLS FARGO	COLLECTIVE	0.57%	1.08%	1.07%	1.09%
EUROPEAN EQUITY						
AIR LIQUIDE SA		DIRECT EQUITY	0.08%	0.16%	0.33%	0.56%
AMADEUS IT HLDGS		DIRECT EQUITY	0.07%	0.14%	0.28%	0.47%
ARCELORMITTAL SA		DIRECT EQUITY	0.08%	0.17%	0.35%	0.59%
BANCO SANTANDER S.A.		DIRECT EQUITY	0.09%	0.17%	0.36%	0.60%
BAYERISCHE MOTOREN WERKE AG		DIRECT EQUITY	0.09%	0.17%	0.36%	0.61%
BEIERSDORF AG		DIRECT EQUITY	0.04%	0.09%	0.19%	0.31%
BUREAU VERITAS S		DIRECT EQUITY	0.06%	0.11%	0.23%	0.38%
ENAGAS SA		DIRECT EQUITY	0.04%	0.09%	0.18%	0.31%
ESSILOR INTL		DIRECT EQUITY	0.07%	0.13%	0.28%	0.47%
EUROPEAN EQUITY EXPOSURE		DERIVATIVE	0.23%	0.51%	0.76%	1.02%
EUROPEAN EQUITY EXPOSURE		DERIVATIVE	0.18%	0.76%	0.22%	-1.53%
EUROPEAN EQUITY EXPOSURE		DERIVATIVE	0.09%	0.15%	0.23%	0.31%
GEBERIT AG-REG		DIRECT EQUITY	0.06%	0.12%	0.25%	0.43%
HEINEKEN		DIRECT EQUITY	0.09%	0.17%	0.36%	0.61%
INDITEX		DIRECT EQUITY	0.07%	0.14%	0.29%	0.48%
INGENICO GROUP SA		DIRECT EQUITY	0.06%	0.11%	0.22%	0.38%
JPM EUROPE DYNAMIC EX UK FUND - VOYAGER GLOBAL DYNAMIC EQUITY HOLDING	JPM EUROPE DYNAMIC EX UK	COLLECTIVE	0.53%	1.00%	1.00%	1.02%
KUHNLE & NAGEL INTERNATIONAL AG		DIRECT EQUITY	0.05%	0.09%	0.19%	0.32%
NESTLE SA-REG		DIRECT EQUITY	0.08%	0.16%	0.34%	0.58%
NOVO NORDISK A/S CLASS B		DIRECT EQUITY	0.09%	0.17%	0.36%	0.61%
OLD MUTUAL SCHRODER EUROPEAN ALPHA	SCHRODER	COLLECTIVE	0.00%	0.00%	0.00%	0.00%
OM EUROPEAN BEST IDEAS	OLD MUTUAL	COLLECTIVE	0.75%	1.49%	2.23%	4.03%
PUBLICIS GROUPE SA		DIRECT EQUITY	0.06%	0.12%	0.24%	0.41%
SODEXO SA		DIRECT EQUITY	0.04%	0.08%	0.17%	0.28%
VINCI SA		DIRECT EQUITY	0.10%	0.19%	0.39%	0.66%
WELLINGTON EUROPE - VOYAGER GLOBAL DYNAMIC EQUITY MANDATE	WELLINGTON	COLLECTIVE	0.56%	1.06%	1.06%	1.08%
ZURICH INSURANCE GROUP AG		DIRECT EQUITY	0.08%	0.17%	0.35%	0.59%
GLOBAL EQUITY						
BLACKROCK NATURAL RESOURCES GROWTH & INCOME	BLACKROCK	COLLECTIVE	0.84%	0.46%	0.35%	0.27%
CASH & PORTFOLIO OVERLAY - VOYAGER GLOBAL DYNAMIC EQUITY	CASH & PORTFOLIO OVERLAY	COLLECTIVE	0.06%	0.12%	0.12%	0.12%
OM GLOBAL BEST IDEAS	OLD MUTUAL	COLLECTIVE	1.51%	3.48%	4.47%	6.10%
OM GLOBAL EQUITY INCOME	OLD MUTUAL	COLLECTIVE	2.19%	2.85%	4.91%	4.89%
POLAR CAPITAL FINANCIAL OPPORTUNITIES	POLAR CAPITAL	COLLECTIVE	0.02%	0.02%	0.02%	0.03%
POLAR CAPITAL FINANCIALS INCOME INC	POLAR CAPITAL	COLLECTIVE	0.35%	0.64%	0.96%	1.46%
POLAR FINANCIAL OPPORTUNITIES FUND - VOYAGER GLOBAL DYNAMIC EQUITY HOLDING	POLAR FINANCIAL OPPORTUNITIES	COLLECTIVE	0.25%	0.48%	0.47%	0.48%
WELLINGTON DURABLE COMPANIES - VOYAGER GLOBAL DYNAMIC EQUITY MANDATE	WELLINGTON GLOBAL	COLLECTIVE	1.23%	2.31%	2.31%	2.34%

continued

HOLDINGS WITHIN THE COMPASS PORTFOLIOS (CONTINUED)

Holding name	Fund manager (where applicable)	Asset type	Compass Portfolio 2	Compass Portfolio 3	Compass Portfolio 4	Compass Portfolio 5
EQUITY (CONTINUED)						
NORTH AMERICAN EQUITY						
3M CO		DIRECT EQUITY	0.10%	0.15%	0.31%	0.64%
AMGEN INC		DIRECT EQUITY	0.10%	0.16%	0.34%	0.58%
BNY MELLON US EQUITY INCOME	BNY MELLON	COLLECTIVE	0.50%	0.74%	2.05%	2.93%
BRANDYWINE - VOYAGER GLOBAL DYNAMIC EQUITY MANDATE	BRANDYWINE	COLLECTIVE	1.15%	2.16%	2.15%	2.19%
CISCO SYS INC		DIRECT EQUITY	0.15%	0.25%	0.52%	0.89%
COLGATE-PALMOLIV		DIRECT EQUITY	0.11%	0.19%	0.40%	0.68%
GAP INC THE		DIRECT EQUITY	0.11%	0.19%	0.38%	0.68%
JPM US EQUITY INCOME	JPMORGAN	COLLECTIVE	0.00%	0.00%	0.00%	0.00%
JPMORGAN CHASE & CO		DIRECT EQUITY	0.16%	0.28%	0.57%	0.98%
KROGER CO		DIRECT EQUITY	0.12%	0.22%	0.44%	0.75%
LAPIDES - VOYAGER GLOBAL DYNAMIC EQUITY MANDATE	LAPIDES	COLLECTIVE	0.75%	1.40%	1.40%	1.43%
LSV - VOYAGER GLOBAL DYNAMIC EQUITY MANDATE	LSV	COLLECTIVE	1.21%	2.28%	2.28%	2.31%
MARRIOTT INTERNATIONAL INC CLASS A		DIRECT EQUITY	0.08%	0.15%	0.30%	0.52%
MARSH & MCLENNAN COMPANIES		DIRECT EQUITY	0.14%	0.25%	0.52%	0.88%
MCDONALDS CORP		DIRECT EQUITY	0.13%	0.22%	0.45%	0.78%
NIKE INC -CL B		DIRECT EQUITY	0.09%	0.16%	0.33%	0.57%
ORACLE CORP		DIRECT EQUITY	0.07%	0.12%	0.24%	0.42%
PEPSICO INC		DIRECT EQUITY	0.11%	0.19%	0.40%	0.68%
PERSHING SQUARE HOLDINGS	PERSHING SQUARE	COLLECTIVE	0.54%	1.08%	1.82%	1.44%
PRAXAIR, INC.		DIRECT EQUITY	0.10%	0.18%	0.37%	0.63%
SCHRODER - VOYAGER GLOBAL DYNAMIC EQUITY MANDATE	SCHRODERS (US)	COLLECTIVE	1.71%	3.20%	3.20%	3.26%
SCHRODER US MID CAP	SCHRODER	COLLECTIVE	0.97%	1.85%	3.77%	7.40%
STRYKER CORP		DIRECT EQUITY	0.08%	0.13%	0.27%	0.55%
UNION PAC CORP		DIRECT EQUITY	0.10%	0.18%	0.38%	0.64%
UNITED TECH CORP		DIRECT EQUITY	0.09%	0.19%	0.40%	0.56%
US EQUITY EXPOSURE		DERIVATIVE	1.08%	1.18%	1.78%	2.31%
US EQUITY EXPOSURE		DERIVATIVE	0.00%	0.03%	0.04%	0.05%
US EQUITY EXPOSURE		DERIVATIVE	0.00%	2.83%	6.28%	7.05%
VERIZON COMMUNIC		DIRECT EQUITY	0.15%	0.27%	0.55%	0.93%
VISA INC-CLASS A		DIRECT EQUITY	0.08%	0.14%	0.29%	0.49%
WALGREEN CO		DIRECT EQUITY	0.15%	0.26%	0.53%	0.91%
VISA INC-CLASS A		DIRECT EQUITY	0.08%	0.14%	0.32%	0.41%
WALGREEN CO		DIRECT EQUITY	0.08%	0.12%	0.26%	0.40%
UK EQUITY						
OLD MUTUAL UK EQUITY INCOME	OLD MUTUAL	COLLECTIVE	0.07%	0.09%	0.15%	0.24%
OM EQUITY 1 (OMGI)	OLD MUTUAL	COLLECTIVE	0.03%	0.01%	0.01%	0.01%
OMGI UK - VOYAGER GLOBAL DYNAMIC EQUITY MANDATE	OLD MUTUAL GLOBAL INVESTORS	COLLECTIVE	0.40%	0.75%	0.75%	0.76%
UK EQUITY EXPOSURE		DERIVATIVE	-0.44%	-0.31%	-0.06%	0.16%
FIXED INCOME						
CORPORATE BONDS						
MIRABAUD CONVERTIBLE BONDS EUROPE (USD HEDGED)	MIRABAUD	COLLECTIVE	0.51%	0.31%	0.28%	0.00%
NORDEA EUROPEAN HIGH YIELD BOND (USD HEDGED)	NORDEA	COLLECTIVE	0.48%	0.23%	0.13%	0.00%
OM BOND 1 (TWENTY FOUR)	TWENTYFOUR	COLLECTIVE	3.64%	2.13%	1.06%	0.00%
OM BOND 2 (FIDELITY)	FIDELITY	COLLECTIVE	0.00%	0.00%	0.00%	0.00%
OM BOND 2 (FIDELITY)	FIDELITY	COLLECTIVE	3.98%	1.96%	1.00%	0.00%
OM BOND 3 (DU PONT)	DU PONT	COLLECTIVE	0.86%	0.77%	0.37%	0.00%
PARETO NORDIC CORPORATE BOND	PARETO	COLLECTIVE	0.50%	0.29%	0.12%	0.00%
WELLINGTON GLOBAL CREDIT PLUS (USD HEDGED)	WELLINGTON	COLLECTIVE	9.82%	6.08%	2.65%	0.00%
WELLS FARGO US HIGH YIELD	WELLS FARGO	COLLECTIVE	2.44%	1.40%	0.96%	0.00%
EMERGING MARKET DEBT						
ASHMORE EMERGING MARKETS SHORT DURATION	ASHMORE	COLLECTIVE	1.01%	0.66%	0.23%	0.00%
MEX BONOS DESARR FIX RT 6.5% 10/06/2021		BOND	0.84%	0.27%	0.13%	0.00%
OM LOCAL CURRENCY EMD	OLD MUTUAL	COLLECTIVE	0.69%	0.46%	0.22%	0.00%

HOLDINGS WITHIN THE COMPASS PORTFOLIOS (CONTINUED)

Holding name	Fund manager (where applicable)	Asset type	Compass Portfolio 2	Compass Portfolio 3	Compass Portfolio 4	Compass Portfolio 5
FIXED INCOME (CONTINUED)						
GOVERNMENT BONDS						
EURO GOVERNMENT BOND EXPOSURE		DERIVATIVE	-1.64%	-0.75%	-0.36%	0.00%
INTER-AMERICAN DEVELOPMENT BANK 5.500% 23/08/21		BOND	0.17%	0.12%	0.08%	0.00%
TSY INFL IX N/B 0.75% 15/02/45		BOND	0.10%	0.17%	0.09%	0.00%
US GOVERNMENT BOND EXPOSURE		DERIVATIVE	1.57%	3.73%	0.99%	0.00%
US GOVERNMENT BOND EXPOSURE		DERIVATIVE	1.96%	1.05%	1.06%	0.00%
US GOVERNMENT BOND EXPOSURE		DERIVATIVE	2.82%	1.03%	0.25%	0.00%
US TIPS 0.125% 15/07/26		BOND	0.28%	0.31%	0.17%	0.00%
US TREASURY 0.125% 15/04/20		BOND	5.48%	2.76%	1.73%	0.00%
US TREASURY 2.250% 15/02/27		BOND	0.42%	0.34%	0.16%	0.00%
OTHER FIXED INCOME						
AUSTRALIAN DOLLAR EXPOSURE		DERIVATIVE	0.00%	0.44%	0.96%	1.61%
BRITISH POUND EXPOSURE		DERIVATIVE	-1.07%	-1.99%	-1.98%	-2.41%
CATCO REINSURANCE OPPORTUNITIES	CATCO	COLLECTIVE	0.43%	0.35%	0.22%	0.00%
EURO EXPOSURE		DERIVATIVE	1.27%	0.97%	0.40%	0.00%
JAPANESE YEN EXPOSURE		DERIVATIVE	0.00%	0.67%	1.46%	2.48%
M&G OPTIMAL INCOME	M&G	COLLECTIVE	2.97%	1.71%	0.73%	0.00%
OLD MUTUAL ABSOLUTE RETURN GOVERNMENT BOND FUND	OLD MUTUAL	COLLECTIVE	1.20%	0.94%	0.53%	0.00%
OLD MUTUAL COCOS	OLD MUTUAL	COLLECTIVE	1.19%	0.46%	0.71%	0.00%
PIMCO INCOME	PIMCO	COLLECTIVE	0.36%	0.24%	0.12%	0.00%
SEQUOIA ECONOMIC INFRASTRUCTURE	SEQUOIA	COLLECTIVE	0.65%	0.28%	0.13%	0.00%
SQN ASSET FINANCE INCOME	SQN	COLLECTIVE	0.36%	0.15%	0.08%	0.00%
WELLS FARGO SHORT-TERM HIGH YIELD	WELLS FARGO	COLLECTIVE	4.90%	2.33%	1.98%	0.00%
ALTERNATIVES						
OTHER ALTERNATIVE (INC HEDGE FUNDS)						
AQR GLOBAL RELATIVE VALUE	AQR CAPITAL MANAGEMENT	COLLECTIVE	2.48%	1.96%	1.23%	0.00%
BLUECREST ALLBLUE	BLUECREST	COLLECTIVE	0.44%	0.29%	0.22%	0.00%
BOUSSARD & GAUUDAN	BOUSSARD & GAUUDAN	COLLECTIVE	0.44%	0.30%	0.20%	0.00%
CZ ABSOLUTE RETURN ALPHA	CZ	COLLECTIVE	1.21%	0.70%	0.43%	0.00%
IPM SYSTEMATIC MACRO	IPM	COLLECTIVE	1.89%	1.64%	1.15%	0.00%
MYGALE EVENT DRIVEN	MYGALE	COLLECTIVE	1.24%	0.73%	0.49%	0.00%
OLD MUTUAL STYLE PREMIA ABSOLUTE RETURN (USD HEDGED)	OLD MUTUAL	COLLECTIVE	1.47%	0.74%	0.57%	0.00%
OLD MUTUAL UK SPECIALIST	OLD MUTUAL	COLLECTIVE	0.95%	0.64%	0.51%	0.00%
AEW UK LONG LEASE REIT	AEW	COLLECTIVE	0.49%	0.25%	0.17%	0.00%
CASH						
CASH			15.71%	13.18%	4.04%	-0.70%
TOTAL			100%	100%	100%	100%

The structure of the Compass Portfolios provides access to the skills of managers in the institutional or corporate market as well as access to managers who are already available to individual investors through retail funds. Managers that we select in the institutional market are asked to manage a mandate (essentially this is simply a written agreement with us on how we want our investment to be managed on our behalf) – this allows us to control the investment boundaries, including the types of investment and the level of risk we want the manager to take. By tailoring the mandate we can also ensure each manager focuses on the areas where we think they are most skilled – giving them the best chance to outperform. These mandates may be held as Old Mutual funds.

Cash may include settled cash on deposit in various currencies. Where there are investments in derivatives, the holdings value of derivative contracts may be expressed on a notional basis to give a clear indication of the exposure each derivative contract is providing to the portfolio. As a result of expressing the derivatives in this manner, the cash total will include a cash offset (as if the derivative contract has been closed) which may cause the cash total to be understated compared to the actual cash held on deposit by the portfolio at each reporting point (a negative value may occur).

¹ Exposure held through the Old Mutual Compass Portfolio 2's position in the Old Mutual Voyager Global Dynamic Equity Fund (OMVGDEF). The OMVGDEF is a multi-manager fund in which the Old Mutual Compass Portfolios invest in order to obtain core exposures to global equities (company shares). This approach enables the Old Mutual Compass Portfolios to gain the required exposures to global equities in a more efficient manner than buying exposure to the individual investments held within the OMVGDEF separately. It also enables the Old Mutual Compass Portfolios to gain exposure to investment strategies that would otherwise be inaccessible. Overall, the exposure to the OMVGDEF represents 9.92% of the Old Mutual Compass Portfolio 2 as at 31 December 2017.

² Exposure held through the Old Mutual Compass Portfolio 3's position in the Old Mutual Voyager Global Dynamic Equity Fund (OMVGDEF). The OMVGDEF is a multi-manager fund in which the Old Mutual Compass Portfolios invest in order to obtain core exposures to global equities (company shares). This approach enables the Old Mutual Compass Portfolios to gain the required exposures to global equities in a more efficient manner than buying exposure to the individual investments held within the OMVGDEF separately. It also enables the Old Mutual Compass Portfolios to gain exposure to investment strategies that would otherwise be inaccessible. Overall, the exposure to the OMVGDEF represents 18.63% of the Old Mutual Compass Portfolio 3 as at 31 December 2017.

³ Exposure held through the Old Mutual Compass Portfolio 4's position in the Old Mutual Voyager Global Dynamic Equity Fund (OMVGDEF). The OMVGDEF is a multi-manager fund in which the Old Mutual Compass Portfolios invest in order to obtain core exposures to global equities (company shares). This approach enables the Old Mutual Compass Portfolios to gain the required exposures to global equities in a more efficient manner than buying exposure to the individual investments held within the OMVGDEF separately. It also enables the Old Mutual Compass Portfolios to gain exposure to investment strategies that would otherwise be inaccessible. Overall, the exposure to the OMVGDEF represents 18.62% of the Old Mutual Compass Portfolio 4 as at 31 December 2017.

⁴ Exposure held through the Old Mutual Compass Portfolio 5's position in the Old Mutual Voyager Global Dynamic Equity Fund (OMVGDEF). The OMVGDEF is a multi-manager fund in which the Old Mutual Compass Portfolios invest in order to obtain core exposures to global equities (company shares). This approach enables the Old Mutual Compass Portfolios to gain the required exposures to global equities in a more efficient manner than buying exposure to the individual investments held within the OMVGDEF separately. It also enables the Old Mutual Compass Portfolios to gain exposure to investment strategies that would otherwise be inaccessible. Overall, the exposure to the OMVGDEF represents 18.94% of the Old Mutual Compass Portfolio 5 as at 31 December 2017.

Source: Old Mutual Global Investors, as at 31 December 2017. Due to rounding and the use of derivatives – the allocations may not total 100%.

COMMENTARY AND ANALYSIS FOR COMPASS PORTFOLIO

EQUITIES

MARKET OVERVIEW

Global shares rallied over the period, as global growth accelerated, inflation remained low and central banks continued with their monetary stimulus programmes. All this resulted in the MSCI All Countries index producing a 13% total return for the year in sterling terms. Asian stock markets were one of the stand-out performers of the year, helped by the positive outlook for growth and benign outlook inflation. In the UK, the FTSE 100 index, having been held back by uncertainty over Brexit negotiations, registered its best performing month in December to end 2017 at an all-time high.

In the US, stock market indices ended the year near to record highs, helped by a run of strong profits announcements and news that Congress had finally passed President Trump's tax reforms, a move expected to drive earnings growth higher. US retailers soared on the news, while technology groups such as Facebook, Apple, Amazon and Netflix (FANGs), which already have lower rates of tax, lost some of their shine as the year drew to a close.

The FTSE 100 index built on existing gains, particularly in December, to propel the index to an all-time high for the year. Strong returns in mining and oil shares were noteworthy, while more defensive companies (those seen as producing solid, consistent returns, irrespective of the economic cycle) typically underperformed the benchmark index. UK smaller companies, once again, outperformed their larger company counterparts for the year, buoyed by a favourable growth backdrop.

The positive performance of European equities was not unduly impacted by the outcome of December's regional elections in Catalonia, in which separatist parties secured a majority in the regional assembly voting in favour of secession from Madrid. Investors, once again, preferred to focus on company profits growth, helping to drive returns higher over the period.

A near 7% gain over the final three months of 2017 capped a 22% increase in the MSCI Asia Pacific ex-Japan index, in sterling terms, for the year as a whole. The MSCI China index registered a similar gain, propelled by the strong earnings rebound in company profits. Japanese company shares also performed well, driven by news of positive sentiment surveys and improving labour market statistics.

PERFORMANCE ANALYSIS

The portfolio was up over the quarter with equities driving performance, although all asset classes enhanced returns. Given the strength in equity markets, the higher risk portfolios outperformed the lower risk portfolios. Overall, the manager selection effects were positive, with emerging markets contributing significantly to those returns. European manager performance was strong, with flexible manager JP Morgan performing particularly well versus its benchmark. Direct security investments in the portfolios in both Europe and the US also outperformed, with the US allocation performing especially well, driven by resurgence in consumer names such as general retailer Kroger and clothing retailer Gap. Other US managers were mixed in their performances – mid cap exposures detracted from relative performance given the weaker growth in that area. It was a similar story for value managers as stock specific selections also dented performance. The effect of our underweight position in the US has been somewhat mitigated through the use of options to limit our downside risk.

CHANGES TO THE PORTFOLIO OVER THE QUARTER

In equities, much activity was concentrated on management of our active positions. We neutralised our overweight positions in emerging markets and Europe. The relentless rally in the US meant that exposures in the portfolio to the region increased over the quarter (although still remain underweight). We also added an overweight to Japan following a review of the prospects there. In the directly held stock portfolio, there was activity in a number of US consumer stocks, such as Kroger and Gap. We increased allocations to these, which paid off towards the end of the quarter, at which time the positions were significantly reduced. We trimmed a number of our direct shareholdings during the quarter, following strong price appreciation. In our active equity managers, there were no significant changes, with the most notable increase being a higher allocation to Baillie Gifford Japan Income, reflecting our overweight position on Japan.

Activity	Fund name	Manager	Rationale
Buy	Japan Income	Baillie Gifford	Increase exposure to Japan

PORTFOLIO MANAGER'S OUTLOOK (EQUITIES)

Overall, while we have been surprised at the strength of US equity markets, we have been conscious that economic growth looks quite strong. Coming into 2018, we are more relaxed about implementing positions which add equity risk, especially where there is some margin of safety in valuation as well as strong fundamentals, but we also remain respectful of price action. As a result, areas that look attractive to us are Japan, Europe and emerging market equities while the US market appears expensive (even with the potential positive effects of the tax reform as well as reasonably strong earnings). Our focus will be to maintain and build overweight positions where possible, while also trying to mitigate the effect of being underweight by using option markets, where appropriate.

continued

COMMENTARY AND ANALYSIS FOR COMPASS PORTFOLIO (CONTINUED)

FIXED INCOME

MARKET OVERVIEW

The performance of European bonds proved mixed over the quarter. Bund (German bond) yields notched higher towards the year end as German inflation reached a five-year high (bond investors become nervous when inflation rises as it typically erodes the value of the fixed coupon). By contrast, a breakthrough in Brexit negotiations helped increase risk appetite in UK fixed income, causing sterling-denominated corporate bonds to rally. In emerging markets, Brazilian bond yields rose over the quarter (prices fell) although prices rallied towards the year end as the Brazilian central bank cut interest rates to an all-time low of 7% in December as inflationary fears continued to abate.

Inevitably, against such a favourable economic outlook, returns for the asset class as a whole were lower than for riskier alternatives, such as company shares, but proved higher than holding cash.

PERFORMANCE ANALYSIS

Fixed income allocations were positive for the portfolio, as yields continued to fall. Allocations in European high yield were more beneficial to the portfolio than US equivalents, and likewise in the investment grade space, UK-biased allocations fared better than global assets. Manager selection effects also boosted performance. Investments in more highly rated bonds outperformed benchmarks, as did lower-rated or high yield allocations. Absolute return and alternative income strategies also performed well. The main exception to broad gains across the space was the reinsurance strategy, which was hit by the storms in the Gulf of Mexico.

CHANGES TO THE PORTFOLIO OVER THE QUARTER

We shortened our risk exposure to interest rate changes across the portfolio. Inflation remains an area of interest, and this led us to trade US inflation linked bonds over the quarter – selling shorter duration inflation linked bond, before buying back in at the end of the quarter (following a sharp sell-off). In credit markets, we have remained very similarly positioned, although we have replaced the Goldman Sachs EMD fund with Ashmore EM Short Duration fund, having identified this area as offering especially attractive risk adjusted returns.

Activity	Fund name	Manager	Rationale
Buy	Short dated US inflation linked bond fund	N/A	Valuation opportunity
Buy	Ashmore EM Short Duration	Ashmore	Valuation opportunity
Buy	Goldman Sachs EMD fund	Goldman Sachs	Moving to shorter dated emerging market debt

PORTFOLIO MANAGER'S OUTLOOK (FIXED INCOME)

We retain our underweight to interest rate sensitivity, especially as we are starting to see signs of inflation. Inflation linked bonds can offer value, but we will remain careful to choose the optimal time to make an investment. We remain overweight in company bonds, this will be a key position given the relatively healthy economic backdrop.

COMMENTARY AND ANALYSIS FOR COMPASS PORTFOLIO (CONTINUED)

ALTERNATIVES

MARKET OVERVIEW

Alternative investments cover a wide spectrum of non-traditional asset classes, including infrastructure, private equity and hedge funds (which use numerous strategies to try to generate positive returns). Performance, therefore, was very much determined by the respective asset class and the approach taken by the individual fund managers.

PERFORMANCE ANALYSIS

Alternative strategies performance was mixed in absolute terms, and weaker than highly directional benchmarks and peer groups. Alternative beta (see investment glossary on page 15) exposures were the largest detractors, while event drive, and long/short managers were able to deliver positive returns.

CHANGES TO THE PORTFOLIO OVER THE QUARTER

In alternatives, positions have remained fairly consistent, although there was an increase in exposure to the Catco Reinsurance strategy, where we expect strong returns from higher insurance premiums following the stormy weather in the Gulf of Mexico.

PORTFOLIO MANAGER'S OUTLOOK (ALTERNATIVES)

We continue to look to alternatives to give us access to highly skilled managers and to provide diversification. Their use will remain critical for us going forward.

GLOSSARY

Investing can be complex, which is one of the reasons why Old Mutual International only sells its products through financial advisers. In this glossary we have explained some of the terminology used in this report. We recommend that you speak to your Old Mutual International consultant if you have any questions, or if there is anything in this report which you need explained further.

ALTERNATIVE BETA

Alternative beta is a term for a kind of risk that investors face and is used to refer to a type of investment strategy. Investors who try to profit from alternative beta investing expose themselves to risk in different markets than those using traditional strategies.

CAPACITY UTILISATION

Capacity utilisation is a measure of the extent to which the productive capacity of a business is being used.

CONTINGENT CONVERTIBLE BOND

Contingent convertible bond, also known as CoCo bond, is type of investment product slightly different to a regular convertible bond. Where a regular convertible bond can be converted into a specified number of shares in the issuing company at maturity of the bond, a CoCo is designed to convert into shares in the issuing company at a point of time when a trigger, agreed and pre-set when the bond is issued, is reached.

DERIVATIVES

Financial instruments that are, in effect, legal contracts between several parties, which derive their values from other underlying assets.

LONG/SHORT MANAGERS

Long/short managers use an investment strategy that involves buying and selling equities using long and short positions. Having a long position means the manager owns the equity (or 'stock') and expects that it will rise in value in the future. A 'short' position generally means selling an equity the manager doesn't own, in the expectation that its price will decrease in value, and they can buy it back at a lower price and make a profit.

FUNDAMENTALS

Information relating to the economic well-being of a company such as revenue, earnings, assets, liabilities and growth. These factors are used to determine the worth of an investment in fundamental analysis. A company with little debt and a lot of cash is generally considered to have strong fundamentals.

MANDATE

An investment mandate is a general philosophy or list of restrictions or permissions about how a pool of capital can be invested or put to work.

HAVE YOU VISITED OUR PRINCIPLES OF INVESTING EBOOK?

For a quick and easy
reference book on
investment basics,
visit our website
www.oldmutualinternational.com



IMPORTANT INFORMATION

You should be aware that investments, unit prices and income from units may fall as well as rise and you may not get back the amount you invested. Past performance is not a guide to future performance. Where a fund invests in securities designated in a different currency to the currency of the Old Mutual International product or where an underlying fund is denominated in a different currency, investments may rise and fall purely as a result of exchange rate fluctuations.

Old Mutual International does not provide investment advice. This material is provided for information purposes only and should not be relied or acted on by the recipient. It is not a recommendation to buy, sell or hold a particular investment.

Full details of the relevant products for the Compass Portfolios can be obtained from your financial adviser or from our website at www.oldmutualinternational.com.

When used in Hong Kong, this report should be discussed with professional investors only.

www.oldmutualinternational.com

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Old Mutual International Isle of Man Limited is registered in the Isle of Man under number 24916C.

Registered and Head Office: King Edward Bay House, King Edward Road, Onchan, Isle of Man, IM99 1NU, British Isles. Phone: +44 (0)1624 655 555 Fax: +44 (0)1624 611 715. Licensed by the Isle of Man Financial Services Authority.

Old Mutual International Isle of Man Limited is a member of the Association of International Life Offices.

Old Mutual International is registered in the Isle of Man as a business name of Old Mutual International Isle of Man Limited.

Old Mutual International is the registered business name of Old Mutual International Isle of Man Limited Singapore Branch. Old Mutual International Isle of Man Limited Singapore Branch, 50 Collyer Quay, OUE Bayfront, #05-07, Singapore, 049321. Phone: +65 6216 7990 Fax: +65 6216 7999.

Registered in Singapore Number T08FC7158E. Authorised by the Monetary Authority of Singapore to conduct life assurance business in Singapore. Member of the Life Insurance Association of Singapore. Member of the Singapore Finance Dispute Resolution Scheme.

Old Mutual International Middle East Limited, registered in the Dubai International Financial Centre under number 0962 Office 7 and 8, Level 2 Gate Village 7, Dubai International Financial Centre (DIFC), PO Box 482062, Dubai, UAE.

Old Mutual International Middle East Limited (OMIME) is authorised by the Dubai Financial Services Authority (DFSA) to support licensed intermediaries in the distribution of Old Mutual International's products issued by Old Mutual International Isle of Man Limited.

Old Mutual International Middle East Limited is authorised and regulated by the Dubai Financial Services Authority.

Old Mutual International's Hong Kong office: 24th Floor, Henley Building, 5 Queen's Road Central, Hong Kong. Phone: +852 3552 5888 Fax: +852 3552 5889 E-mail: askhk@ominternational.com. Authorised by the Insurance Authority of Hong Kong to carry on long term business.

Old Mutual International Ireland dac is regulated by the Central Bank of Ireland. Registered No 309649

Registered and Head Office address: Hambleden House, 19-26 Lower Pembroke Street, Dublin 2, Ireland. VAT number for Old Mutual International Ireland dac is 6329649S.

Old Mutual International is registered in Ireland as a business name of Old Mutual International Ireland dac.