OLD MUTUAL INTERNATIONAL – COMPASS PORTFOLIOS
REASONS WHY DOCUMENT

For professional financial advisers only

Important – please read:

This document is designed for use by professional financial advisers only and should not be relied upon by existing or prospective clients of Old Mutual International.

To help in the preparation of marketing material and potential 'Reasons Why' letters, we've prepared the following suggested factual statements to help you communicate the benefits of investing in the Compass Portfolios available to your clients through Old Mutual International products.

It is the responsibility of the individual professional financial adviser to ensure that any 'Reasons Why' letters prepared for investors fully comply with any applicable regulatory requirements.

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ABOUT COMPASS PORTFOLIOS

The Old Mutual International Isle of Man (OMI IM) and Old Mutual International Ireland (OMI IE) Compass Portfolios enable your clients to access the investment experience of Old Mutual Wealth's Investment Division Multi-Asset team (combining the expertise of Old Mutual Global Investors and Quilter Cheviot) – the team responsible for managing the underlying Old Mutual Compass Portfolio range.

What are the Compass Portfolios?

The Old Mutual, OMI IM, and OMI IE Compass Portfolios (referred to in this document as the 'Compass Portfolios' or 'Portfolios') are a range of risk-targeted funds that bring greater precision to the management of your investment portfolio by carefully matching the appropriate fund with the level of risk acceptable to you.

The Compass Portfolios are available via all Old Mutual International products under the following names:

RISK RATING	FUND NAME	
	Old Mutual International Isle of Man (OMI IM)/Ireland (OMI IE) funds Available through the Managed Savings Account*, Managed Pension Account*, Managed Capital Account, Executive Wealth Account and European Capital Account.	**Old Mutual Compass Portfolios** Available directly through Old Mutual Isle of Man/Ireland Portfolio Bonds
HIGHER 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
LOWER RISK	OMI IM/OMI IE Compass Portfolio 2	Old Mutual Compass Portfolio 2

*For existing business only.

The OMI IM/OMI IE Compass Portfolios invest directly into the Old Mutual Compass Portfolios managed by the Multi-Asset team at Old Mutual Wealth's Investment Division.

What is risk profiling?

Risk profiling (identifying a person's tolerance for risk) is an essential part of providing quality investment advice and ensures that an investment is appropriate for your desired risk profile. By using Old Mutual International's Risk Profiler tool, your appetite for risk can be calculated by way of a risk score.

This Risk Profiler asks carefully constructed questions to quantify the level of risk you are willing and able to take. This will produce a risk score from 1 to 5, with 1 being the most risk averse and 5 meaning you are prepared to take the highest risk with your money.

Old Mutual International offers access to four Compass Portfolios, each with a slightly different mix of assets, to cater for the risk profiles 2 to 5.

What is your risk profile and what does it mean?

The answers you provided within Old Mutual International's Risk Profiler indicated you have a risk profile of **[x]**. I have identified the Compass Portfolio **[X]** as being the best potential match to help meet your investment needs and risk tolerance.

Risk profile outcomes

RISK LEVEL 1	Investors with risk profile 1 are generally looking for 'safer' places for a large proportion of their money, such as cash and fixed interest. However, they may also accept a small level of exposure to higher risk investments, such as equities. This investment would generally be more suited to investors with an investment horizon of 3-7 years, whilst predominantly seeking to preserve the capital invested.
RISK LEVEL 2	Investors with risk profile 2 remain generally wary but are willing to accept a modest level of risk in their portfolio. The emphasis is on capital preservation so a greater proportion will typically be invested in cash, fixed interest and alternative assets. There is more equity exposure than for a risk profile 1 investor in order to provide the opportunity to outperform inflation. This solution would generally be more suited to investors with medium investment horizons (5-10 years) who are prepared to accept a moderate level of volatility.
RISK LEVEL 3	A risk profile 3 investor will be looking for a more balanced split between conservative assets (fixed income, cash, alternatives) and equities. The equity portion will generally have a broad geographic spread and include exposure to both developed and emerging overseas markets. This will help spread risk and allow for greater growth potential. This solution would generally be more suited to investors with medium investment horizons of at least 5 years or longer (5-12 years), or those wishing to grow the capital invested whilst being prepared to accept a moderately high level of volatility.
RISK LEVEL 4	A risk profile 4 investor is looking for steady growth and they should be prepared to take more risk by investing in slightly more volatile, but potentially rewarding, markets. However, there is still some degree of exposure to fixed interest, cash and alternative assets but a larger proportion is invested in both developed and emerging overseas equity markets. This solution would generally be more suited to investors with medium to longer investment horizons of at least 5 years or longer (5 -15 years), or those wishing to grow the capital invested whilst being prepared to accept a high level of volatility.
RISK LEVEL 5	A risk profile 5 investor will typically be prepared to take higher levels of risk in order to seek greater levels of return. The portfolio will hold little if any fixed interest or cash and could be nearly entirely equity based. The equity holdings will have a wide geographic spread including exposure to emerging markets. As a result the portfolio is likely to be quite volatile but offer greater growth potential over the longer term. This solution would generally be more suited to investors with longer investment horizons of at least 5 years or longer (5 -15+ years), or those wishing to grow the capital invested whilst being prepared to accept a very high level of volatility.

OLD MUTUAL INTERNATIONAL RISK PROFILER OUTCOME SCORE	SUITABLE COMPASS PORTFOLIO
Risk profile 1	n/a
Risk profile 2	Compass Portfolio 2
Risk profile 3	Compass Portfolio 3
Risk profile 4	Compass Portfolio 4
Risk profile 5	Compass Portfolio 5

How are the Compass Portfolios managed?

The Compass Portfolios are managed by the Multi-Asset team at Old Mutual Wealth's Investment Division, comprising Old Mutual International's sister companies Old Mutual Global Investors and Quilter Cheviot.

Each Portfolio contains a different mix of assets, chosen with the aim of maximising their expected long-term return for a given level of risk. The objective of each Compass Portfolio is to match your attitude to risk, not to remove risk entirely.

The Portfolio managers review the mix of assets on each Portfolio on a regular basis to help ensure they continue to meet the expected levels of risk. Risk is measured in terms of 'volatility', which is a statistical measurement that shows how widely a range of returns produced by a fund varies from its average over a particular period. Each Compass Portfolio aims to operate within a given range of volatility, and these ranges also match the risk levels determined by Old Mutual International's Risk Profiler.

Because the Compass Portfolios' main objective is to grow your money by generating consistent returns and managing downside risk, their holdings are extensively diversified across different asset classes.

The Compass Portfolio managers draw on their own and the wider Multi-Asset team's experience, as well as in-depth analysis of economies and markets, to establish trends and locate where the best opportunities and biggest risks might lie. In doing so the managers employ tools and models based on projections for risk and return*. This process informs asset allocation decisions, which are then stress-tested to help ensure each Portfolio does what it is expected to do. The Portfolio managers also constantly monitor the assets they hold within the Portfolio, with a view to ensuing they perform in line with expectations.

*The Portfolio managers use an array of investment tools and models. These are used at every stage in the investment process - from determining and stress testing a strategic asset allocation process to analysing the outlook for interest rates and researching the world for company shares that offer best value.

ABOUT THE OLD MUTUAL WEALTH'S INVESTMENT DIVISION

The Compass Portfolios are managed by the Multi-Asset team at Old Mutual Wealth's Investment Division, comprising Old Mutual International's sister companies Old Mutual Global Investors (OMGI) and Quilter Cheviot (QC).

The Multi-Asset team, run by co-investment directors Anthony Gillham and Ben Mountain, has a significant depth and breadth of talent. The unit has more than 250 years of combined investment experience and is a true partnership of equals, bringing together two clearly complementary skillsets. QC provides excellence in fund research, as well as portfolio management and OMGI brings outstanding experience in managing multi-asset funds using a diverse range of assets.

Who is Old Mutual Global Investors?

Old Mutual Global Investors (OMGI) is the award-winning, London-based asset management arm of Old Mutual Wealth, with a reach spanning key international markets including the UK, Europe, Asia and the Americas. It has grown strongly since its creation in August 2012 and now has assets under management of £31.4 billion*. The team consists of 273** industry professionals, including 69** investment professionals. To find out more, please go to: www.omglobalinvestors.com

*as at 31 December 2016, **as at 30 June 2016.

Who is Quilter Cheviot?

Quilter Cheviot, part of Old Mutual Wealth, is one of the UK's largest discretionary investment firms and can trace its heritage to 1771. The firm is based in twelve locations across the UK, Dubai, Jersey and Ireland and has over US$20.1 billion* in assets. Quilter Cheviot focuses primarily on structuring and managing bespoke discretionary portfolios for private clients, charities, trusts, pension funds and intermediaries. To find out more please go to: www.quiltercheviot.com

*as at 31 October 2016.

Robust and proven investment process

The Multi-Asset team within the Old Mutual Wealth Investment Division, which manages the Compass Portfolio range, believes that their aim to generate consistent returns, offer investors a defensive position when markets decline, and deliver genuine diversification, reflects the investment outcomes that most clients who use multi-asset solutions seek to achieve.

Central to the team's investment philosophy is a belief in the necessity of being truly multi-asset to generate growth (alpha): having access to all asset classes, from hedge fund to high-yield debt and mid-cap US equities. The team believes that in order to create the best customer outcomes, it should be unconstrained in how it invests in these assets using a variety of different investment vehicles including mandates, exchange traded funds and direct holdings in securities.

There are three broad stages to the Multi-Asset team's investment process:

- Strategic asset allocation
- Tactical asset allocation
- Stock selection

Given the broad array of assets available to the Portfolios, there are a number of ways in which the team picks securities to implement its tactical and strategic asset allocation views.

Fund Research

The fund research team plays a crucial role in supporting the Multi-Asset team; they undertake research to find the best fund managers from across the world and conduct rigorous ongoing due diligence on fund managers already entrusted by the unit.

The team conducts qualitative and quantitative analysis of a fund manager's investment process and philosophy to ascertain whether it is robust and repeatable. Face-to-face meetings are key to the process of adding new managers to the recommended investment universe, and monitoring those already covered. Preparation is of paramount importance ahead of manager meetings: analysts scrutinise the fund manager's current and historic holdings to drill down into their successes and failures.

The team uses a number analytical applications, proprietary tools and models, when assessing the performance of current fund managers, and screening for new ones. These include:

- Performance analysis: this analyses a fund's performance in different market conditions, and at different points in the business cycle
- Trade execution analysis: this gives the team an understanding of the fund manager's decision-making process
- Attribution analysis: this assesses the driver of past performance
- Holdings-based style analysis: this helps to identify any changes in investment style over time and ensure consistency with stated philosophy and process

Old Mutual Wealth's Investment Division's size and resources help foster better decision making. It also enables the portfolio managers and analysts to become specialists in a variety of investment disciplines and asset class expertise. As well as having dedicated fund research and quantitative analysts, the team also has a strategist. Moreover, the team is able to draw upon the expertise of the highly regarded investment professionals at the wider Old Mutual Wealth Investment Division.

RECOMMENDED GENERAL WORDING AND RISK WARNINGS

- Past performance is not necessarily a guide to future performance.
- The value of investments, and the income from them, can go down as well as up. You may not get back as much as you invested.
- Investments in emerging markets, economies that are progressing towards becoming a developed market, can involve a higher degree of risk; for example, they may not be as well-regulated as developed markets.
- The Compass Portfolios may hold investments in multiple currencies. Fluctuations in exchange rates will cause the value of these investments, and the income derived from them, to rise or fall.
- The Compass Portfolios can invest in government and corporate bonds. If the issuer of the bond is unable to repay either the interest or the original loan amount, they could default on the loan. This would be likely to lower the value of the investment in these bonds.
- Investments in bonds and other debt instruments, including derivatives, are subject to interest rate risk. This means the value of these investments may go down if interest rates rise, and vice versa.
- The Compass Portfolios can use derivatives (financial instruments that are, in effect, legal contracts between several parties, and which derive their values from other underlying assets). The value of these instruments can be prone to greater price fluctuations than investments in company shares or bonds.
- The Compass Portfolios may invest in high-yield bonds, where the risk of the issuer defaulting is higher than in bonds which offer lower yields and are issued by companies deemed to have a better ability to repay their debts.
- The volatility targets are estimates and not guaranteed. These targets will be reviewed and modified, depending on prevailing market conditions.

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