

Old Mutual Investment Funds Series III

Authorised Corporate Director's Interim Short Report

For the period ended 31 October 2013



• **Managed Fund**



OLDMUTUAL
GLOBAL INVESTORS

Introduction to the Short Report

This is the interim Short Report prepared for investors in Old Mutual Investment Funds Series III, for the period 1 May 2013 to 31 October 2013. It is an abbreviated version of the long form Report & Accounts.

The Short Report gives you an update on the funds, rather than on your individual holdings. If you would like more information on your own investment account, such as a current valuation, please contact our Investor Services Team on 0808 100 8808.

Some investors feel that there is too much information in the Short Report, while others think there is not enough. The information we include in this document is required by our regulator, the Financial Conduct Authority. If you would like more information, the full annual and interim Report & Accounts of the funds, together with the daily fund prices, can be found on our website, www.omglobalinvestors.com. Please note that the full Report & Accounts cover all the funds in this open ended investment company, so the documents can be over 100 pages long as they contain statutory information.

In addition, we update a factsheet on each fund every month that gives details of the latest fund performance, top ten holdings and manager's commentary. These are available on our website, www.omglobalinvestors.com.

Finally, in response to investor feedback, we have tried to simplify the language used in the Short Report to make it easier to understand.

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Old Mutual Managed Fund

Summary investment objective

The scheme aims to provide long term capital growth through the active management of a diversified portfolio. The fund will invest primarily, either directly or indirectly, in bond and equity investments, generally by investing in other Old Mutual collective investment schemes. There are no specific restrictions as to the economic sectors or geographic regions in which the fund may invest.

Risk profile

The investments of the fund are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in value of investments will occur. The value of investments and the income derived from them may fall as well as rise and shareholders may not recoup the original amount invested in the fund. Variations in the rates of exchange may also cause the value of investments and the income thereon to fall or rise. There is no assurance that the investment objectives of any fund will be achieved. Withdrawals by other investors may result in operating costs being borne by a small number of investors, which could erode shareholders' initial investment. Past performance is not a guide to future performance.

Summary of fund performance

Share type	Net asset value as at 31 October 2013 (pence)	Net asset value as at 30 April 2013 (pence)	Net asset value % change
A class income	2,901.27	2,745.91	5.66
A class accumulation	4,523.02	4,258.17	6.22
R class accumulation	4,663.57	4,379.97	6.47

Performance record to 31 October 2013

	6 months to 31 Oct 2013	12 months to 30 Apr 2013	12 months to 30 Apr 2012	12 months to 30 Apr 2011	12 months to 30 Apr 2010	12 months to 30 Apr 2009
Fund	6.17%	20.4%	-0.27%	10.6%	32.1%	-21.8%
Sector	4.72%	14.7%	-2.21%	8.1%	27.3%	-18.4%
Quartile	1	1	1	1	1	4
Benchmark	4.05%	15.1%	0.97%	10.0%	24.6%	-16.1%

Benchmark index – FTSE Balanced Portfolio

Highest and lowest prices

The table below shows the highest buying and lowest selling prices of shares over the last five years.

Calendar year	Income shares		Accumulation shares	
	Highest buying (pence)	Lowest selling (pence)	Highest buying (pence)	Lowest selling (pence)
2008 Class A	2,406.09	1,476.61	3,466.62	2,141.93
2008 Class R	–	–	3,346.20	2,157.01
2009 Class A	1,777.70	1,430.02	2,592.51	2,094.27
2009 Class R	–	–	2,512.61	2,112.37
2010 Class A	2,389.73	1,639.51	3,610.56	2,427.61
2010 Class R	–	–	3,527.60	2,450.01
2011 Class A	2,489.46	1,996.59	3,782.37	3,038.65
2011 Class R	–	–	3,703.18	3,105.73
2012 Class A	2,579.65	2,165.53	3,969.58	3,300.43
2012 Class R	–	–	3,921.23	3,376.87
2013 Class A ¹	3,038.58	2,477.80	4,729.67	3,812.84
2013 Class R ¹	–	–	4,689.02	3,917.65

¹ To 31 October 2013

Distribution/accumulation

Share class	Distribution (p) 1 May 2013 to 31 October 2013	Distribution (p) 1 November 2012 to 30 April 2013
A class accumulation	17.0078	37.3070
A class income	10.9494	24.2037
R class accumulation	27.2128	47.1570

Fund facts

Fund accounting dates	Distribution payment dates
31 January	31 March
30 April	30 June
31 July	30 September
31 October	31 December

Ongoing Charges Fee (OCF)	As at 31 October 2013 (%)	As at 30 April 2013 (%)
Authorised Corporate Director's (ACD) periodic charge		
Share Class A	1.53	1.53
Share Class R	1.03	1.03
Other expenses		
Share Class A	0.19	0.19
Share Class R	0.19	0.19
Ongoing Charges Fee (OCF)		
Share Class A	1.72	1.72
Share Class R	1.22	1.22

Portfolio information

The top 10 holdings at the end of the previous period and at the end of the current period are shown below.

Holding % of fund as at 31 October 2013		Holding % of fund as at 30 April 2013	
Old Mutual North American Equity Class A (Acc)	13.9	Old Mutual North American Equity Class A (Acc)	14.7
Old Mutual UK Equity Class A (Inc)	10.9	Old Mutual UK Equity Class A (Inc)	11.6
Old Mutual (Dublin) UK Dynamic Equity	10.6	Old Mutual Asian Pacific Class A (Acc)	11.1
Old Mutual Asian Pacific Class A (Acc)	9.2	Old Mutual (Dublin) UK Dynamic Equity	10.7
Old Mutual (Dublin) Global Equity Absolute Return	8.9	Old Mutual (Dublin) Global Equity Absolute Return	10.3
Old Mutual European Equity (ex UK) Class A (Acc)	8.0	Old Mutual UK Equity Income Class A (Inc)	8.9
Old Mutual UK Equity Income Class A (Inc)	8.0	Old Mutual Monthly Income Bond Class A (Inc)	8.5
Old Mutual Monthly Income Bond Class A (Inc)	7.1	Old Mutual European Equity (ex UK) Class A (Acc)	8.5
Old Mutual Global Strategic Bond Class A (Inc)	6.4	Old Mutual Global Strategic Bond Class A (Inc)	8.1
Old Mutual Japanese Equity Class A (Acc)	2.5	Old Mutual Japanese Equity Class A (Acc)	2.9

Asset breakdown % as at 31 October 2013		Asset breakdown % as at 30 April 2013	
International Equities	33.5	International Equities	37.2
UK Equities	29.4	UK Equities	33.6
Fixed Interest	13.6	Fixed Interest	16.7
Absolute Return	9.0	Absolute Return	10.4
Cash	14.5	Cash	2.2

Total may not equal 100% due to rounding.

Investment adviser's report for the period ended 31 October 2013

Review

US monetary policy dominated financial markets in the six-months to October 2013. Ambiguity surrounding the Federal Reserve's policy stance resulted in US Treasury bond volatility spikes not seen since 2011. May-August shifts were mostly the result of Fed communication, whilst August-October market moves were down to geopolitical threats in the form of Syria and in US domestic politics, the Washington shutdown.

Equity and corporate bond markets experienced sharp losses in June on the expectation the US Federal Reserve would begin to reduce its monthly US\$85bn purchases of Treasury and mortgage-backed securities by September 2013. However, in July, Chairman Bernanke suggested there would be no change to policy, this despite Fed minutes showing broad support for "tapering". Following the US government's reopening after politicians in Washington failed to raise the statutory debt limit in September, the shutdown was expected to have proved an obstacle to the economic recovery thereby pushing market expectations for "tapering" to 2014.

Away from the US, Japan appeared to embrace "Abenomics" (a term coined for expansive government and central bank policy under Prime Minister Shinzo Abe). Europe, by contrast, remained relatively quiet. Berlusconi's attempt to derail the coalition in Italy formed earlier this year was the exception. Confidence improved (albeit from a low point), and generally pointed to stabilisation. Summer 2013 saw a remarkable turnaround in perceptions from a universal sense that growth in the UK was weak, fragile and insufficient to gain momentum; to a world where growth was firmly back on the agenda. The appointment of the Bank of England's new governor, Mark Carney, was preceded by an expectation that more exceptional stimulus would be needed. However the governor proved much more positive on the economy than expected and subsequent data proved him correct. China, once again, avoided a slowdown, although did experience a liquidity crunch. In general emerging market momentum eased.

The majority of government bond yields rose. Only those of Japan and Spain fell. Corporate spreads tightened as investors chased yield with sub-investment grade bonds performing very well. Equity markets also rose. The main eurozone index outperformed the US, UK and Japan as flows into Europe turned positive, with investors looking to cheaper valuations and prospects for stabilisation in Europe. While the euro and pound strengthened relative to other major currencies, a combination of central bank rate cuts and falling commodity prices saw commodity-linked currencies punished. Within commodities, agriculture and precious materials fell over the period, whilst Brent crude oil rose.

Performance

The fund continued to deliver strong performance, posting a 6.2% net return versus the sector average of 4.7% and benchmark index of 4.1% placing the Managed Fund in the top quartile of the APCIMS Balanced Portfolio sector over 6 months, 1, 3 and 5 years. UK equities were the principal contributor, followed by global equities. Fixed income dragged marginally on performance given the asset-class sell-off. Relative to the benchmark all asset allocations outperformed, with the only underperformance coming from holding a larger cash position. This is due to the fund hedging equity exposures through episodic issues such as Syria and the US shutdown. In September the fund sold UK large cap exposure given downside risks with the underlying index's global exposures. Additionally the US dollar was introduced to benefit from a US upswing and reduction in dollar supply.

Outlook

Looking forward the fund is hedged against a downward move in equity markets following the withdrawal of US monetary stimulus. Company revenues will need to accelerate from here to warrant higher valuations. Overall we are underweight equities compared to the peer group with a higher allocation to cash. Our strategic bias is to absolute return holdings and low duration in fixed income (due to the rising yield environment). For equities, our regional positioning is marginally underweight in the US (given the stock market keeps hitting record highs), fractionally overweight to Asia Pacific ex-Japan (cheaper valuations and a greater upside potential), underweight eurozone equities (region mired in a painful period of adjustment) and underweight UK equities (fully-priced valuations). Overall, continuing corporate resilience and reasonable valuations balance concerns about the sustainability of the global economic recovery. However socio-political risks continue to favour a cautious stance, notwithstanding potential volatility from a rising interest rate environment.

Information about the fund during the period

Report & Accounts

This document is the interim short report of the Old Mutual Investment Funds Series III for the period 1 May 2013 to 31 October 2013. The full Report & Accounts are available on our website www.omglobalinvestors.com or upon written request to Investor Services, Old Mutual Global Investors, 2 Lambeth Hill, London EC4V 4AD.

Basis of valuation of investments

The valuation point is 12.00 noon on the last business day of the accounting period. Quoted investments are valued at the marked bid price net of any accrued interest which is included in the balance sheet as an income-related item.

Performance information

Source for retail fund performance taken from © 2013 Morningstar, Inc. All rights reserved. Bid to bid, income reinvested on a net tax basis, in sterling, as at 31 October 2013.

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Quartile rank

The quartile ranking shows a particular fund's ranking in its relevant sector. It is measured by ranking the performance of all the funds in a particular sector over any period, into four sections. The first (or top) quartile will be the top 25% in terms of performance, the second quartile will be the next 25%, the third quartile will be the next 25% and the fourth quartile will be the last 25%.

Ongoing Charges Fee (OCF)

This is a measure of the total costs associated with managing the fund. Apart from the initial charge and transaction costs all other expenses are included in the OCF. The OCF is an internationally accepted standard for the comparison of costs for authorised funds.

Investment adviser's report

External sources of underlying economic data used by Old Mutual Global Investors include MSCI, Datastream and Factset. Market performance data is sourced from Datastream. Each quoted index or stock return is based on the price movement between the market close on 30 April 2013 and the close on 31 October 2013. Returns quoted are sterling or local currency returns as specified.

Distribution/Accumulation

All rates are quoted as net for equity dividends and gross for bond interests.

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