FEBRUARY 2007

FUNDAMENTALS

INVESTMENT PERSPECTIVES FOR INSTITUTIONAL INVESTORS

PERFORMANCE THROUGH FOCUS

Top comment

Peter Brooke
Boutique head: Macro Strategy Investments

"The biggest short-term risk to the SA equity market in 2007 remains the possibility of widespread foreign selling." See page 6.

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OLD MUTUAL
Investment Group

Commentary for the period ending 31 January 2007.

GLOBAL ECONOMY

In brief
- **Global hard landing fears ease again**
- **Falling prices of oil and some other commodities reduce inflation and interest rate risks**
- **Global outlook remains good, but undeniable risks still exist**

The growing fears, towards the end of last year, that the world economy may be heading for a more severe slowdown in 2007 than was generally expected, were at least partly allayed during January by the release of generally firm economic activity data.

Fourth quarter GDP growth figures for the US and China surprised on the upside, the Euro-area continues to grow solidly, and most of the remainder of the emerging world also appears to be expanding firmly. Our long-held view that fears of a global hard landing were overdone, and that global growth will slow moderately in 2007 from the strong growth recorded last year, remains in place.

Moderately slower global growth, together with sharply lower oil prices, and a decline in some other industrial commodity prices, have reduced short-term global inflation pressures and allayed fears that interest rates may be hiked sharply during the first half of 2007. While we expect interest rates to rise further outside the US during the first half of 2007, we still do not expect global central banks to tighten policy so aggressively as to risk a sharp global economic downturn.

Viewed in a long-term historical context, global inflation has remained almost surprisingly low over the past few years in the face of booming growth and surging commodity prices. With these cyclical pressures now easing, the risk of a policy-induced global hard landing has also abated. However, we do expect central banks to remain hawkish for some time as resource utilisation rates in industry and labour markets remain high.

It would appear as if the global environment in 2007 will remain broadly favourable for South Africa, characterised by still solid growth, easing inflation pressures and no major economic policy shocks. However, as with all forward-looking pronouncements, the normal health warning needs to be repeated that there are still undeniable risks in the world economy, which could turn things notably more nasty than we currently anticipate.

LOCAL ECONOMY

In brief
- **Positive local developments include upward revisions to past growth and a ratings upgrade for SA**
- **Underlying inflation pressures persist, along with a sharply wider trade deficit**
- **The peak in the interest rate cycle is in sight**

The past month saw mostly positive developments on the local front. Encouragingly, both CPIX and producer price inflation (PPI) surprised moderately on the downside, despite both still being too high for comfort, with CPIX at 5.0% in December and PPI at 9.3% during the same period. Moreover, the lower oil price and stable rand have improved the short-term inflation outlook and there may even be some early signs of moderating food inflation.

The foreign trade balance recorded a small surplus for December, following two huge deficits over the previous two months owing to large oil imports. While the December surplus was largely seasonal and should therefore not lead to undue optimism on foreign trade position, the lower oil price, if sustained, should indeed help to contain the deficit in the months to come. Another positive development has been the fact that the prices of our key export commodities have so far held up extremely well in the face of slower global growth and the sharply lower oil price.

Data on the real economy has been sparse, but by all accounts consumer spending has remained buoyant over the festive season. While we expect consumer spending to slow in 2007, it is still expected to expand at a robust rate.

Despite ongoing concerns over potential inflationary pressures and the foreign trade deficit, we think that the bulk of the interest rate hikes for this cycle are behind us. With positive developments such as lower global oil prices, further upside risks to local interest rates have certainly receded.

CONTINUED

GLOBAL EQUITY MARKETS

In brief
- **International equity markets generally start year on positive note**
- **Emerging markets mixed**
- **Broadly benign environment for world equity markets**

Global equity markets generally started the year on a positive note with a pretty steady performance by most of the developed markets. However, the performance of the emerging markets in dollar terms was certainly less convincing.

US equities were very steady during the month, adding another 1.8% to the record levels recorded during the fourth quarter of 2006. In Europe, the picture was not much different with most of these markets adding more than 1%. The strongest performing market was the German Dax, which added 2.9% during the month. Japanese equities again brought up the rear with a return of 0.7% for January. The spread within the emerging market universe was significantly wider. China, Russia and Korea were clear losers, while Mexico, Brazil and Turkey performed well.

From a sectoral perspective, energy stocks detracted most from global markets as the oil price continued to trade in the lower $50 range. Financial shares, on the other hand, contributed significantly to the positive performance of global markets, the one exception being Chinese banks, which lost 8% during the month.

Markets were once again driven by familiar forces. Share prices were generally supported by the better-than-expected corporate profit performance of listed companies. Internationally, corporate activity and possible merger and acquisition activity again engaged investor interest in this asset class. High liquidity also stimulated the demand for financial assets. Long-bond yields, however, kicked up. Equity markets generally ignored the higher bond yields.

View

Our base case view still points to firm global growth, with the US the only exception as it is likely to experience a more noticeable slowdown during the second half of 2007. Economic growth in Europe and China remains robust. The growth generated in these economies is likely to support earnings numbers and, as a result, global equity valuations do not look stretched. Earnings momentum in developed countries will, however, slow from current levels, creating a broadly benign environment for world equity markets.

In our view, international markets are not expensive and interest rates are unlikely to go up from these levels. On the other hand, the expected slowdown in earnings growth is likely to limit the upside of equities, but this asset class is still expected to outperform cash.

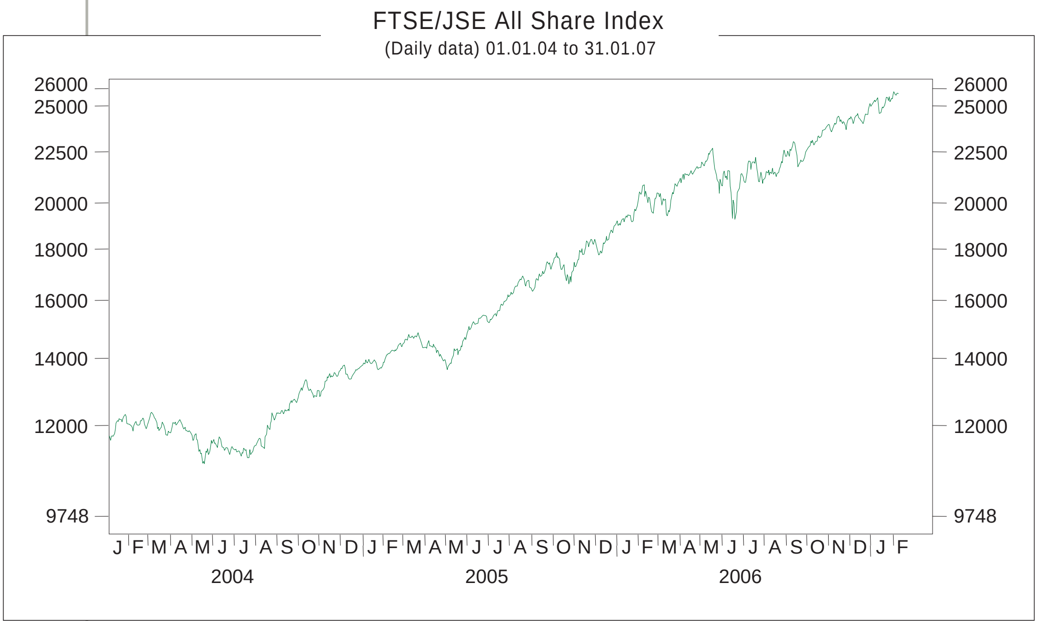
LOCAL EQUITY MARKET

In brief
- **Another month of new highs for the headline index**
- **Market works hard at high levels**
- **Caution advised in terms of performance expectations**

The local equity market ended 2006 in rampant fashion. Market participants would have been forgiven for believing that the ALSI had reached its peak in the fourth quarter of 2006. However, the bull still had the upper hand in January as the market again reached new all time highs. The All Share Index gained 2.2% during the month and traded at an intra-month high of 25 572.

Local shares started the year in a rather jittery fashion. The mining shares, in particular, had a very nervous start to the year. These shares recovered later in the month to post modest gains of 0.7%. Within the mining sector, the stars of 2006, platinum shares, gained 9.2%. Industrial shares were the winners for the month as the Industrial Index closed 3.5% higher. Strong themes within this broad sector were very dominant. The familiar theme of 'construction spending' was irrepressible, with yet another spectacular gain. The shares in this sector jumped another 13%.

However, this was not the only 13% on the monthly score card. Following a very poor fourth quarter, fixed line telecommunication shares added 13.8% in the month. Interest-rate sensitive shares like the retailers, banks and media all closed the month in an extremely buoyant fashion. Quoted property shares joined these sectors in their energetic start to the year as this sector advanced by another 8.5% during the month.



There were no surprises in terms of the driving forces behind the market. Positive trading updates from retailers and a host of other companies provided support to the industrial sector. Potential action from private equity players provided some interest in potential listed targets. Globally, markets continue to gain and certainly did not detract from the positive investors' sentiment. Commodity prices started to lose some of their glitter and commodity-specific shares came under pressure. Although precious metals continue to hold up well, some of the base metals are starting to lose momentum at an alarming rate. Copper traded 10% down during the month and is 37% off its peak recorded in May 2006.

View

South Africa has experienced a bull market for local stocks for the last 15 quarters. This is the second longest bull market ever, both in duration and in terms of total gains. It would therefore not be illogical to question the sustainability of the current bull trend. The valuation of the market is by no means cheap on an earnings multiple basis. Earnings growth proved to be very robust and profitability levels are at historic highs. Add high commodity prices to this equation and one builds a credible argument to apply more caution in portfolios. We would not be surprised to witness more volatility in this asset class and, in fact, lower returns compared to those enjoyed by investors over the last four years.

GLOBAL AND LOCAL BOND MARKETS

In brief
- **Latest local data releases support interest rate bulls**
- **Bond market yields marginally lower**
- **Money market yield curve flattens**

Local data releases were generally interest-rate friendly, leading to growing market expectations that the central bank may decide to leave policy unchanged at the February Monetary Policy Committee meeting. The market found solace, particularly in slightly better-than-expected inflation and monetary aggregate data, while activity data suggested some slowing of economic activity. As a result, money market rates, bond yields and the forward market all started pricing a much reduced probability of another rate increase.

RSA Long Bond Yield (R153)
(Daily data) 01.01.04 to 31.01.07

The yield of the benchmark R157 (maturity 2015) government bond fluctuated between 7.60% and 7.96% before ending the month five basis points stronger at 7.80%. Apart from the data referred to above, technical factors such as a significant re-weighting of the widely used BEASSA Bond Index and expected large coupon payments at the end of February and by the middle of March, also served as a catalyst for demand. The combination of these developments served to marginally offset negative factors such as rising global bond yields and a slightly weaker rand. An important feature has been the relative underperformance of ultra long-dated fixed rate bonds - the first such underperformance since August 2006.

Money market rates reflected considerable volatility during the month. The yield of 12-month NCD rates, for instance, leaped by about 30 bps at one stage, before settling at levels slightly higher than those seen at the end of December. The yield of short-dated instruments has risen slightly faster, leaving the money market curve a little flatter - another reflection of the less bearish rate expectations discussed above.

View

Although risks like expensive global bond markets, a large local current account deficit and elevated commodity prices are still around, market participants currently seem to be focusing on an improved inflation outlook. This more benign inflation outlook, low government funding requirement and a number of technical factors, could continue to support the market in the short term.

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MARKET INDICATORS

AS AT 31 Jan 2007	DY%	PE RATIO	ZAR	USD	ZAR	USD
JSE EQUITIES			1 MONTH %	CHANGE*	12 MONTHS %	CHANGE*
All Share Index	2.2	17.6	2.2	-1.4	32.2	11.1
Fin & Ind Index	3.4	17.2	3.3	-0.4	34.0	12.6
All Gold Index	0.9	511.0	-4.9	-8.3	-10.0	-24.4
			Last month		Last 12 months	
Value Traded (billions)			179.8	22.9	1954.9	272.9

* Price index only. Dividends included.

ECONOMIC INDICATORS

	LATEST DATA		PREVIOUS YEAR
EXCHANGE RATES:			
Rand/USD	Jan - 07	7.24	6.09
Rand/UK Pound	Jan - 07	14.15	10.81
Rand/Euro	Jan - 07	9.39	7.39
Rand/Aus$	Jan - 07	5.59	4.60
INTEREST RATES:			
Prime Overdraft	Jan - 07	12.50%	10.50%
3-Month NCD	Jan - 07	9.25%	6.95%
R153 Long-bond Yield	Jan - 07	8.16%	7.25%
INFLATION:			
CPI (y-o-y)	Dec - 06	5.8%	3.6%
CPIX (y-o-y)	Dec - 06	5.0%	4.0%
NATIONAL ACCOUNTS:			
GDP Growth (y-o-y)	Q3 2006	4.9%	4.7%
GDP Growth (q-o-q, annualised)	Q3 2006	4.7%	5.1%
HCE Growth (y-o-y)	Q3 2006	7.3%	6.4%
(Household Consumption Expenditure)			
GFCF Growth (y-o-y)	Q3 2006	12.5%	9.5%
(Gross Fixed Capital Formation)			
BALANCE OF PAYMENTS:			
Trade Balance (12 mth cumulative)	Dec - 06	- $9.78bn	- $3.00bn
Current Account (% of GDP)	Q3 2006	-5.2%	-3.8%
Capital Account (% of GDP)	Q3 2006	8.0%	5.6%
Forex Reserves (incl. gold)	Dec - 06	$25.29bn	$20.43bn
OTHER:			
Manufacturing Production (y-o-y)	Nov - 06	5.1%	4.0%
(seasonally adjusted)			

(All information relates to month end.)

Outlook 2007

Peter Brooke
Boutique head: Macro Strategy investments

LOCAL EQUITY MARKET

Although South African equities are no longer offering excellent value after a strong four year bull run, this asset class is still likely to provide superior returns in 2007 and beyond, relative to other local asset classes, and so should certainly comprise part of a diversified investment portfolio.

Last year, the FTSE-JSE All Share Index (ALSI) returned 41.2%, exceeding all forecasts as most commentators had expected a slowdown after three years of vigorous growth. The market rerated substantially versus its offshore counterparts, attracting record foreign inflows and finishing the year at a price-earnings ratio (PE) of 17.3 times versus 15.8 times at the end of 2005.

The bull market we are currently experiencing is already the second longest and second strongest in SA history. On both an historic and forward basis, our market PE is high and it could go even higher – everything depends on global market sentiment.

This rerating points to lower returns ahead. Based on our own research and analysis, as well as prospects of a slowdown in corporate earnings growth, going forward, we expect equities to record a return of around 12% on a sustained, longer-term basis.

Although this may seem disappointing compared with the returns delivered over the past four years, it is still attractive relative to the longer-term returns likely to be generated by the bond and money markets. Over the longer-term we expect cash to yield 6% to 7%, while bonds should yield about 8%, as inflation continues its structural decline. Equities will certainly outperform these numbers.

Though equities currently look expensive relative to cash, with 12-month cash yields currently offering a 9.5% riskless return compared with our expected medium-term return for equities, the key risk for the investor is reinvestment risk. The main reason cash is currently attractive is that it is offering a relatively high real return of about 5%. But we expect inflation to peak soon, with interest rates also likely to come off in the medium term, and this will diminish the returns offered by cash.

On a relative basis, the SA equity market is at parity with global markets, which represents a strong rerating over the past few years. Meanwhile, the global PE, in line with its historical long-term average, looks particularly attractive relative to bond yields. We believe offshore equities offer value; hence our decision to increase our offshore exposure last year. The outlook for global markets and economies during the year ahead continues to look favourable.

Given the low savings rate, South Africans do need the higher returns offered by equities but they actually have much lower exposure to equities than their US counterparts. Whereas US unit trust investors have close to 60% invested in equity funds, SA investors have a much lower 29% invested in general equity funds.

Over the past few years, SA retail investors have preferred to go into asset allocation funds and, with market valuations relatively high at present, these actively-managed, diversified investments are likely to provide the most appropriate risk-return balance for investors over the nearer term.

Asset allocation funds offer the individual investor access to a fund manager's skill and ability to take advantage of market opportunities. For instance, last year the Macro Strategy Investments team increased offshore exposure early in the year – a position that benefited from later rand weakness, and when listed property was sold off sharply, they increased exposure to the asset class. This decision also paid off handsomely. Strategically, the real value for investors came from maintaining a high allocation to property and equity throughout the year.

The biggest short-term risk to the SA equity market in 2007 remains the possibility of widespread foreign selling, which would not only undermine market values, but adversely impact the country's already large current account deficit and trigger a vicious cycle. However, longer-term prospects for emerging equity markets continue to look favourable given their stronger growth prospects than developed economies.

Rain le Roux
Head: Economic Research

LOCAL ECONOMY

The global environment is set to remain SA-friendly in 2007 as long as the potential deceleration in global economic growth is not sharper than expected, central banks are not overly aggressive, and commodity prices do not collapse.

In SA, the key surprise during 2006 was the strength of domestic consumption and investment, while capital inflows also surprised on the upside. This spending boom led to a sharp widening in the current account deficit, a weakening in the rand and, in turn, higher inflation. These developments triggered the SA Reserve Bank's tightening cycle, but also contributed to the country's very healthy fiscal policy. During 2007, we expect SA household spending to slow somewhat from the heady 7% increase seen in 2006 to 5% – still a robust level as growth in real disposable income remains strong at about 5%.

Although many commentators are concerned about the rising interest burden on consumers, it is still not nearly at the peaks seen in the past. Meanwhile, consumer debt-asset ratios are actually lower, so households' net worth has actually improved. This indicates that households are not nearly in as much trouble as many think.

SA's growth in gross domestic product (GDP) is expected to slow to 4.5% in 2007 from an estimated 4.9% in 2006, while the current account gap should narrow to 5.2% of GDP from 5.8%. This is thanks to lower global oil prices cutting SA's import bill and the weaker rand boosting export receipts. The rand is likely to weaken moderately over the year to R7.50/$ by year-end, and, after peaking below 6% in the next few months, consumer inflation excluding mortgages (CPIX) is set to drift lower to end the year at 4.8% compared with 5.1% in December 2006.

David Thompson
Chief Investment Officer and
Managing Director

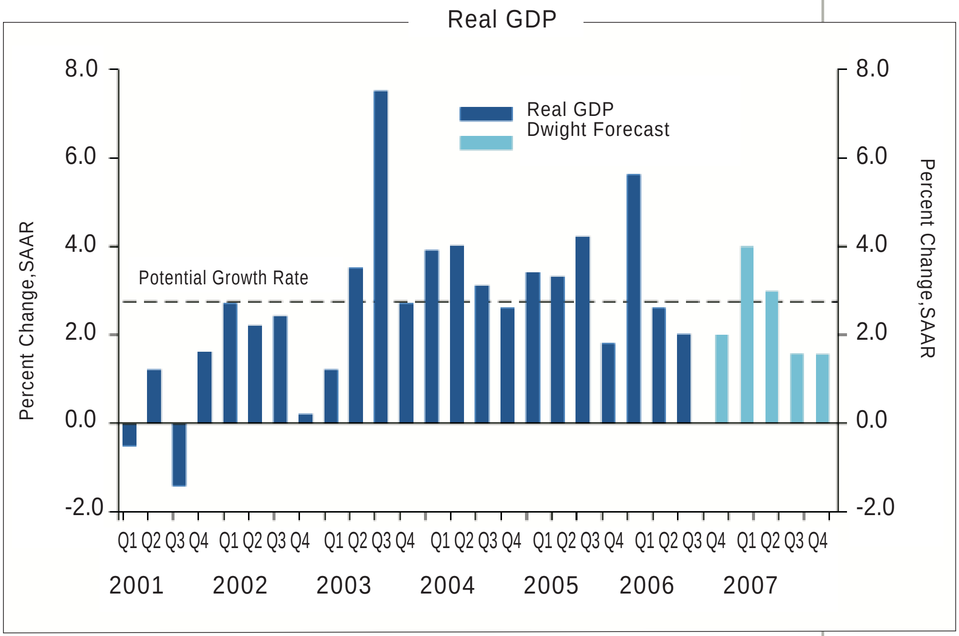
US ECONOMY

(Information provided by Dwight Asset Management, one of the investment managers in the Old Mutual Group.)

The seeds for the outlook for 2007 were likely sown over the last 18 months. In any given year, the outlook is usually determined by three principal drivers: momentum, economic policy, and other exogenous forces.

As evidenced in our 2006 Review, the economy entered 2007 with considerable momentum, particularly in the areas of job and wage growth. This momentum is not likely to dissipate soon, particularly if long-term weather forecasts of a milder than- average winter in the northwestern and northern United States prove correct.[1] In addition, the possibility of lower energy prices could serve to maintain consumption at the level achieved in the second half of 2006. Consequently, the economy in the first quarter could prove surprisingly robust, with real GDP growth in the upper end of a range of 3% – 4%.

Our forecast is less ebullient as we move into mid-year. The principal reason for a more sobering outlook is the current restrictive stance of both monetary and fiscal policy. As mentioned in the 2006 Review, the inverted shape of the yield curve can be interpreted as a collective expectation of lower rates on the part of market participants. Such expectations invariably reflect the prospects for slower growth in the economy. Fiscal policy also appears to be adding less fuel to the economy by virtue of a diminishing deficit. The lone possible offset to a contractionary policy is the value of the US dollar. As already mentioned, the fall in the dollar has likely been an important contributor to recent job growth. The effects of dollar revaluation, moreover, tend to occur with a lag. The dollar need not depreciate further for the stimulative effects on domestic demand to continue. Nonetheless, the net effect of current economic policy would appear to favour some diminution in the rate of economic growth by mid-year.



Lastly, the current level of indebtedness of US households would portend some reduction in consumption. Household debt as a percentage of household net worth now stands at 23.3%, a new record that is 4.1% above the level just five years ago. While recent gains in jobs and wages may assuage the current debt burden, any shortfall in personal financial expectations may well trigger an involuntary de-leveraging of household balance sheets, with associated reductions in consumption and final demand.

In light of the above, it is our expectation that the economy, after a strong first quarter, will underperform the prior year for all of 2007. In numbers, we foresee real GDP growing at 2.5% for the year, with growth in the second half at well inside 2%. Fixed income will likely experience a better-than-average year, with the Lehman Brothers Aggregate returning 2% above its coupon return for a total return of 7% for the year. Equities, as represented by the S&P 500, will likely produce a positive return but will be hard pressed to match the return on bonds. Cash will underperform the prior year, with a return half as much as bonds.

Footnote

1. Climate Prediction Center, NOAA/National Weather Service, EL NIÑO/SOUTHERN OSCILLATION, DIAGNOSTIC DISCUSSION, December 7, 2006

This article is prepared for general informational purposes only, without respect to the investment objectives, financial profile, or risk tolerance of any specific person or entity who may receive this article. Investors should seek financial advice regarding the appropriateness of investing in any investment strategy or security discussed or recommended in this update and should understand that statements regarding future performance may not be realized. Investors should note that income, if any, from any investment strategy or security may fluctuate and that underlying principal values may rise or fall. Past performance is not necessarily a guide to future performance.

OMIGSA Performance Review - 4th Quarter 2006

Thabo Dloti
Chief Executive Officer

THE RELENTLESS BULL MARKET

The bull market continued its rampage into the final quarter of the year, with the FTSE/JSE All Share Index reaching a new all time high when it traded at a level of 24 985 points in December. The index finished the year only slightly lower than this record level, which translated into a strong quarterly performance of 11.8% and a whopping annual return of 41.2% for the 2006 calendar year.

The market was driven by a few familiar factors. Firstly, share prices appreciated globally, and our market was no exception. Secondly, commodity prices started to lose some of their glitter and commodity-specific shares came under pressure. Thirdly, corporate profits continue to meet and even beat market expectations. Fourthly, corporate activity continued at a rapid pace as private equity players targeted a number of businesses.

IMPACT OF MARKET EVENTS ON INVESTMENT PERFORMANCE

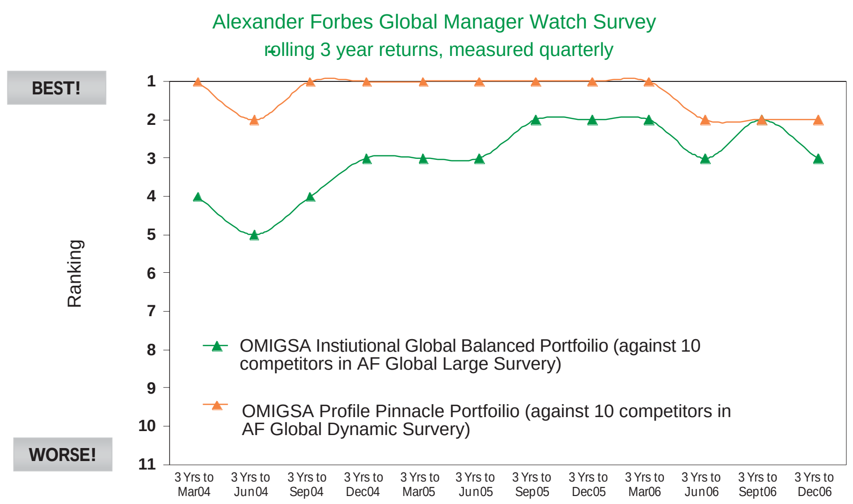
Asset allocation funds

The strong performance from our equity selection over the past quarter, in conjunction with our continued correct asset allocation calls, contributed to the strong outperformance of our balanced funds against their benchmarks and industry peers.

In the institutional arena, the Global Peer Average Balanced Funds – segregated retirement funds managed by the Macro Strategy Investments boutique – delivered their strongest quarterly return for the year at 12.5%, ending the year 32.4% up. They also enjoyed strong outperformance in the Alexander Forbes Global Manager Watch (Large) survey, ranking second out of eleven funds over the quarter. This advanced the fund to fourth position over the calendar year, kept it in the top quartile over three years and made it the second best performer over five years.

The more aggressively positioned Profile Pinnacle Fund also experienced a particularly strong quarter, ranking first out of twelve funds in the Alexander Forbes survey for Dynamic funds. It came in above the median fund for the year, remained second over three years and was the best performer over five years. Both these funds continue to rank amongst the top three best performing funds in their respective groupings in the Alexander Forbes Manager Watch survey over rolling three-year periods.

Consistency of our Performance



Source: Analysis of data from Alexander Forbes Asset Consultants

The unit trust funds managed by the same boutique, also continued to show their enviable ability to outperform, with the Old Mutual Balanced Unit Trust (regulation 28 compliant) and Old Mutual Flexible Unit Trust (aggressively managed asset allocation fund) delivering top quartile performance in their respective unit trust sectors over the one-and two-year periods to December 2006.

Accurate asset allocation continued to contribute positively to our outperformance over peers, especially our decision to remain overweight in equities. Although the markets were highly volatile, they still delivered attractive rewards with the index returning 41.2% for the year. The Macro Strategy Investments boutique's tactical move to increase property exposure when property share prices experienced a correction earlier in the year, triggering a general sell-off, paid off favourably as the property index notched up 28.4% for the year.

Our decision to remain significantly underweight in bonds also paid off as bonds delivered disappointing returns of even less than cash for the year. We have been conscious of the growing risk that local shares may correct against the international developed markets and have therefore reduced risk by switching out of local equities into offshore equities.

Equity Funds

The final quarter of 2006 saw a significant turnaround in our equity performance as almost all institutional and retail equity funds - managed by our Core Equity Investments boutique - outperformed their benchmarks. Our down-weighted resource portfolios outperformed the FTSE/JSE ALSI/Resi50% index by almost 2% over the quarter, recovering almost all of the previous month's losses.

Although most funds in the General Equity sector in the unit trust industry outperformed the FTSE/JSE All Share Index during the last quarter of 2006, only a handful of the almost 60 General Equity unit trusts managed to beat the FTSE/JSE All Share Index for the year. The funds are far less exposed to the more volatile resource shares that make up almost half of the index's value and that delivered the strongest returns over most of the year.

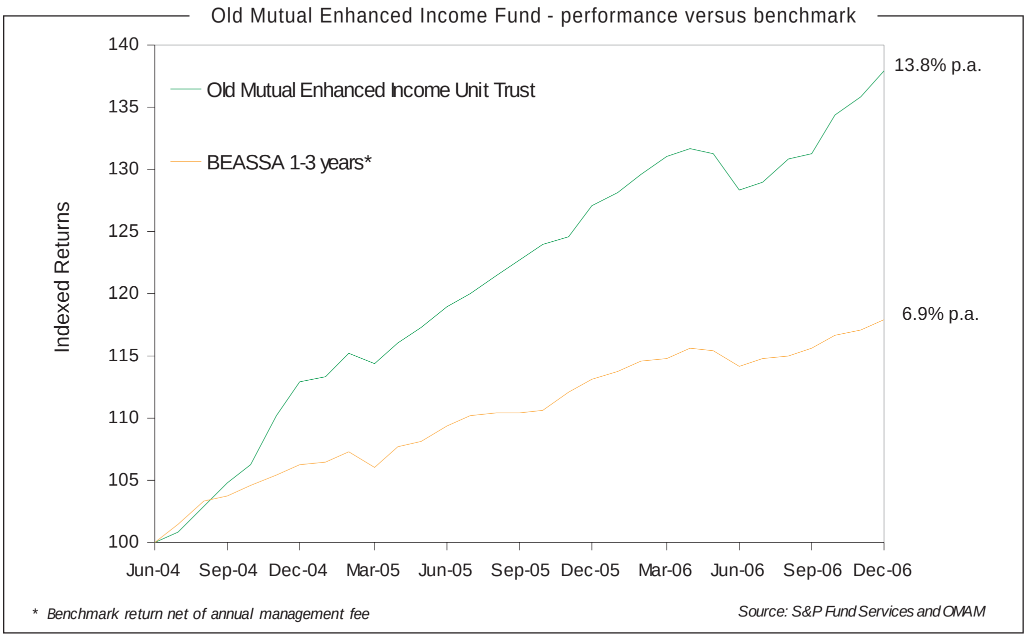
The turnaround in our core equity performance during the last quarter was due to the markets turning in our favour as various equity sectors delivered diverse performances. Resource shares - the darling of the market during recent quarters – lost some ground against the rest of the market, with gold shares only returning 4.8% for the quarter. Platinum mining and diamond shares, however, continued to perform well. Industrial shares continued their recovery following the sell-off during the second quarter, advancing another 22.9% in the last quarter. However, it was the interest rate-sensitive shares in which we are overweight, that surprised the prophets of doom. Financial shares and banks in particular, performed robustly as they contributed 23.8% despite higher short-term interest rates. General retailers also gained 27.8% despite higher short-term interest rates. Rand hedge shares continued to deliver strong returns albeit somewhat weaker than the domestic industrial shares.

In addition, some positions that detracted from performance earlier this year, paid off handsomely in the last quarter, such as the overweight in MTN which gained 35.4%. Some positions that continued to hurt us over the quarter were our overweight holdings in Sasol and Goldfields, both of which delivered poor returns. Looking forward, we remain underweight resource shares - particularly gold and mining houses, as we are concerned about a potential peak in base metal prices. However, we remain overweight platinum, oil, steel and paper. We also remain overweight banks, where we see good value, and underweight life insurance as valuations are unattractive. Within the industrial sector, we continue to hold big positive tilts in telecom shares and favour the interest rate-sensitive retailers because company earnings remain strong and the general view is that short-term interest rates may be close to a peak.

Fixed Interest Funds

The fixed income retirement funds managed by our Fixed Income Investments boutique, continued to outperform their BEASSA and STEFI target benchmarks over twelve months and three years, although some experienced marginal underperformance over the past quarter as the bond market enjoyed its strongest run for the year, with the BEASSA All Bond Index gaining 5.5% over the three months.

Our relative underweight exposure to ultra long-dated bonds and overweight position in cash hurt us over the quarter, as this end of the market enjoyed the best returns when yields declined sharply. The Old Mutual Gilt Unit Trust reflected the cost of our defensive positioning by performing below the median return of its competitors for the 12 months to December. We believe that long bond yields and inflation-linked bonds are trading at



expensive levels and have therefore increased exposure to short-dated corporate bonds and have utilised market strength to switch to cash or near cash assets, as we view it as a better investment alternative on a risk-adjusted basis. This positioning is supported by an investment theme based largely on the risks of global liquidity tightening, high commodity prices and a large current account deficit. This combination is not supportive of lower bond yields in the medium term, although we would concede that yields may drift lower in the short term, mostly as a result of technical reasons.

Against this backdrop, the Old Mutual Income Unit Trust still managed to outperform its median competitor return over the quarter and continues to rank in the second spot over three years. The fund benefited from increasing its exposure to short-dated corporate bonds and longer-dated money market instruments.

The Old Mutual Enhanced Income Unit Trust continued to deliver almost double the rate of its BEASSA 1- 3 years target index return, thanks largely to its exposure to the listed property market, which has enjoyed returns well in excess of the bond market. The fund enjoyed strong support from retail investors, drawing R1.4bn of the net inflows into this increasingly popular sector of the collective investments industry over 2006. The recently launched Real Income Unit Trust has proved even more attractive to investors over the last quarter as its returns were boosted by its exposure to the equity market. Both these products aim to provide both a growing income and some degree of capital appreciation.

PERFORMANCE AWARDS

Several unit trust funds managed by OMIGSA were acknowledged for their outstanding performance at the recent Raging Bull Awards function hosted by Personal Finance in conjunction with Plexus and ProfileData. The certificate awards were for top straight performance in their respective sectors over the three years ended December 2006:

- Old Mutual Financial Services Fund – Joint Portfolio Managers: Tracy Brodziak and Richard Hasson
- Old Mutual Mining and Resources Fund – Portfolio Manager: Michael Schröder
- Old Mutual Global Bond Feeder Fund – Managed by: OMAM UK
- Nedbank Growth Fund – Portfolio Manager: Neil Brown

Note: Performance in this article is for the section of the business previously registered as Old Mutual Asset Managers (South Africa) (Pty) Limited as at 31 December 2006.

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