

Why Pensions OptiPlus?

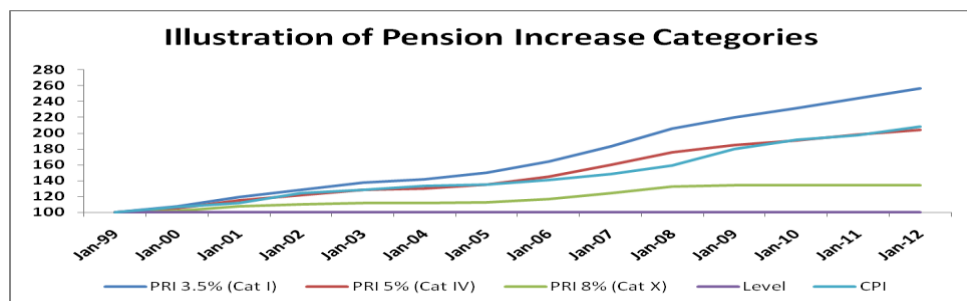
As an employer you want to ensure that the pension provided to your staff at retirement keeps up with inflation. Not only do you want to attract high-calibre staff in future, but also to ensure your pensioners have the best possible lifestyle protection available. This can be achieved in a cost-effective manner through the purchase of a with-profit annuity on a group basis. The long term investment and insurance risks faced by an employer who retains the pensioner liability on books are hard to grasp and even harder to manage. Passing that liability on to Old Mutual is a prudent way to provide AAA security, specialist investment & insurance expertise, and a proven expectation of income-level growth to pensioners. Old Mutual's Pensions OptiPlus are with-profit annuities that allow employers to outsource their pensioner liability to Old Mutual and to ensure competitive growth. Note that Old Mutual Pensions OptiPlus is closed to new business. This investment update is intended to provide information to existing clients invested in Pensions OptiPlus.

Performance

Each category of Pensions OptiPlus declares a different bonus depending on the after-retirement interest rate (ARI) rate of that category. The ARI rate represents the minimum smoothed return, net of charges that the portfolio underlying Pensions OptiPlus has to achieve to fund the current level of pension per annum. For a given up-front premium, the higher the pension category selected, the higher the starting pension, but the lower the expected increase each year. The lower the category selected, the lower the starting pension, but the higher the expected increase each year.

For each category, if the portfolio of assets backing an annuity earns less than the ARI, Old Mutual will maintain the current level of pension. If the return exceeds the ARI plus charges, Old Mutual would then be in a position to declare a bonus, to the current level of pension. For example, if the 4% ARI pension category declares a 3% increase, this implies a total annual return (net of charges) of around 7% (4% + 3%).

The graph below illustrates actual growth rates based on the same starting pension of R100, under the various ARI categories. Note, however, that for the same starting pension, a lower ARI category pension will cost more in upfront premium than a higher ARI category pension, but will offer better prospects for future increases.



		Pensions Category (Pricing Interest Rate)					
		3.50%	4.00%	4.50%	5.00%	CPI	
	2008	12.0%	11.4%	10.7%	10.1%	7.2%	
	2009	7.0%	6.4%	5.8%	5.1%	13.1%	
	2010	5.0%	4.4%	3.8%	3.2%	6.1%	
	2011	5.5%	4.9%	4.3%	3.7%	3.2%	
	2012	5.0%	4.4%	3.8%	3.2%	5.7%	
3-Year Average		5.2%	4.6%	4.0%	3.4%	5.0%	
5-Year Average		6.9%	6.3%	5.7%	5.0%	7.0%	
Since Inception		10.9%	10.4%	9.6%	9.1%	9.6%	

Over five years to 30 September 2011, the increases on the top three ARI categories compare fairly with the average annual CPI figure over the same period of 7.0%. Increases for the top Old Mutual Pensions OptiPlus categories have at least matched and exceeded CPI inflation since inception.

Old Mutual's Pensions OptiPlus is well suited to clients who:

- Want a secure retirement with a pension payable for life.
- Want a pension with increases that offset the effects of inflation and can never decrease.
- Want their pension to be managed by the local market leader in annuities.

Growth Objective

To maximise portfolio growth and so pension increases, subject to the limits imposed by the protection objective.

Protection Objective

Once declared, pension increases can never be revoked. Pensions can never decrease.

Increase Frequency

Annual, in arrears (1 Jan default)

Fees

Capital charge:

Ranges from 1% (3.5% ARI) to 1.9% (8% ARI) p.a.

Investment management fee:

Approximately 0.70% to 0.75% (incl. VAT) of assets p.a., varying slightly depending on asset allocation

Administration fee: Upfront and renewal fees built into the upfront premium

Fund Size

Approximately R14 billion

Management Style

Active

Asset Manager

Old Mutual Investment Group SA

Inception Year

1992

Contact Details

Old Mutual Corporate:

Johannesburg: (011) 217 1000

Pretoria: (012) 360 0000

Western Cape: (021) 530 9600

KwaZulu-Natal: (031) 275 0800

Eastern Cape: (041) 391 6300

Website:

www.oldmutual.co.za/corporate

E-mail:

CorporateInvestments@oldmutual.com

do great things



OLD MUTUAL

Corporate

REGULATORY INFORMATION

Old Mutual Corporate is a division of Old Mutual Life Assurance Company (South Africa) Limited, Licensed Financial Services Provider. Jan Smuts Drive, Pinelands 7405, South Africa. Company registration no: 1999/004643/06. The information contained in this document is provided as general information and does not constitute advice or an offer by Old Mutual. Every effort has been made to ensure the provision of information regarding these financial products meet the statutory and regulatory requirements. However, should you become aware of any breach of such statutory and regulatory requirements, please address the matter in writing to: The Compliance Officer, Corporate Compliance Department, Old Mutual Corporate, P.O. Box 66, Cape Town 8000, South Africa.