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Investment Managers' Conference

October 2011

Ian Woodley

Resources Team

- [Ian Woodley]
  - B.Eng (Hons), MBA
  - 17 years investment experience
- Experience and responsibilities
  - Worked for Gencor (Gold, Coal and Platinum)
  - Three years as a Stockbroking Mining Analyst (Martin and Co)
  - Twelve years at Libam/Stanlib
  - Six years running resources portfolio's/head of resources
  - Joined OMIGSA in April 2011

- Sharief Pansarey
  - B.Com (Finance & Investments)
  - 6 years investment experience
- Experience and responsibilities
  - 3 years as a sell-side analyst at Credit Suisse Standard Securities (now SBG Securities)
  - 3 years as a buy-side analyst at OMIGSA

- Tracy Brodziak
  - CA (SA), CFA
  - 10 years investment experience
- Experience and responsibilities
  - 3 years industrial sector
  - 7 years in financial sector, sector head for the last 4 years

Executive Summary

- Short term:
  - Speculation to continue
  - Prices unlikely to fall sustainably to previous lows
- Long term
  - Urbanisation in the developing world continues, will lead consumption
  - Last ten years has been a China story, the BRI in BRIC's are starting to come through
  - Major mining companies much stronger than 2008

Mining House vs Gold Index

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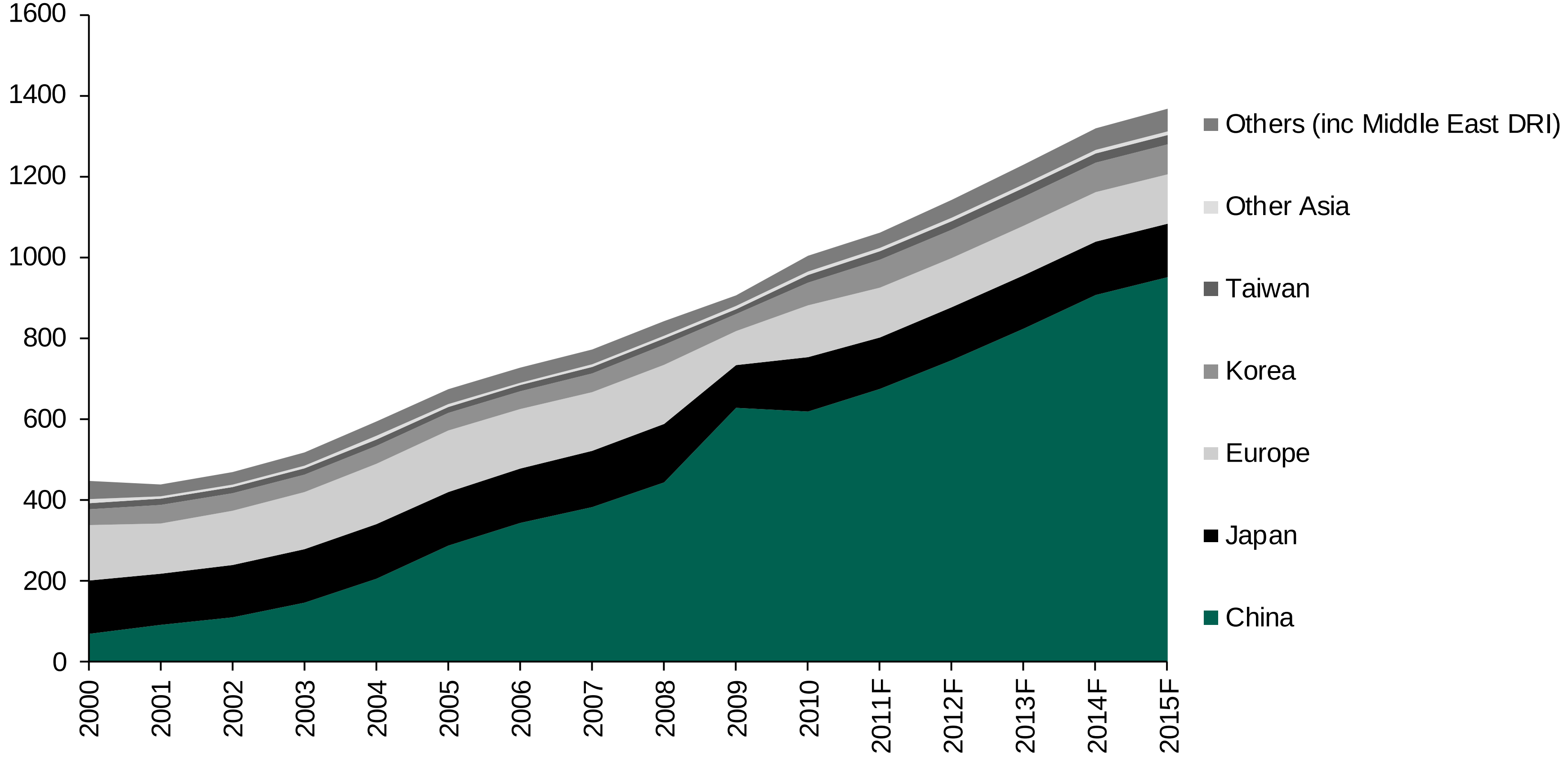
Is emerging market demand enough?

Seaborne iron ore demand – the ultimate China story

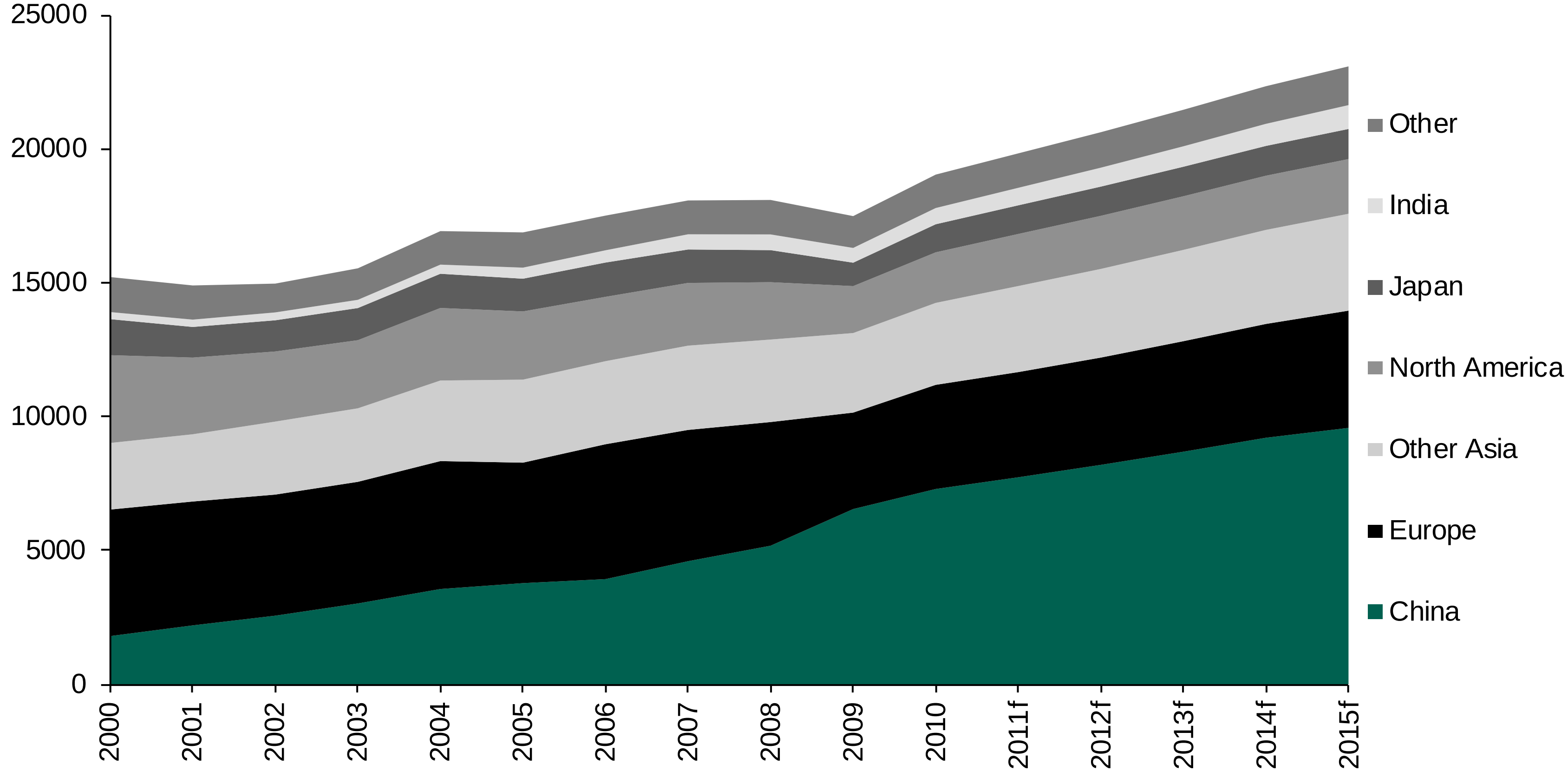
99% of the global increase in seaborne iron ore demand (2000 – 2010) came from China



Source: Macquarie Securities

Refined copper demand – still a China story

143% of the growth in copper demand (2000 – 2010) came from China



Source: Macquarie Securities

Short term pressures

The problem..........................

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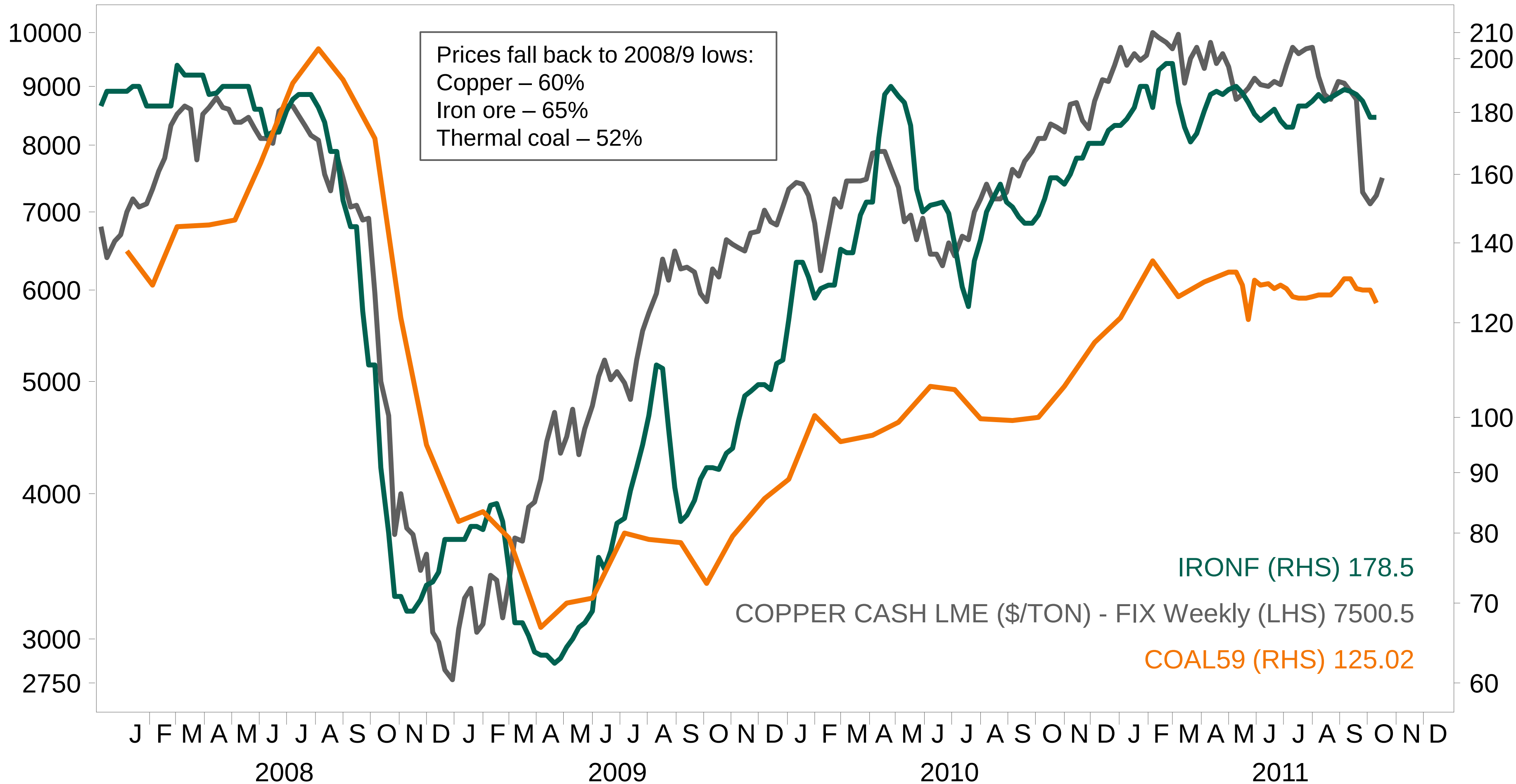
So what are the options?

- No default
  - Greece keeps to austerity measures
  - ECB cut rates, buy bonds
  - EFSF enlarged, leveraged
  - Euro bonds issued
  - European banks properly recapitalised
  - Markets happy
- Orderly default / Greece stays in Euro
  - Greece debtholders take 50% haircut
  - European banks properly recapitalised
  - Markets eventually happy
- Disorderly default / Greece leaves Euro
  - Greece debtholders take huge haircut
  - Contagion spreads – Italy & Spain
  - European banks not recapitalised in time
  - Markets collapses

Traded commodities under pressure, bulks have held up better



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Recent anecdotes – 1st week in October

Steel demand is slowing down sharply in Europe. Demand from China is weakening, but remains at good levels

LKAB

"We are in an energy crisis ... there is, simply, not enough power to go around"

President of the India Energy Forum

"You don't have much hope of new copper coming to the market next year. The current copper price doesn't reflect the market."

Diego Hernandes, CEO Codelco

Demand at the moment remains robust for copper and have not seen a fall in orders

Freeport MacMoRan CEO Richard Adkerson

FMG and BHP stated that their order books for iron ore are full and there are no signs of customer default or push back on volume

The HSBC September PMI figure was at 49.9, unchanged from August.
"For China, we've always said that the PMI numbers we've been getting in is consistent with our scenario of a soft landing"

HSBC Strategist Daniel Hui

The long term story remains

Urbanisation – the key driver of demand

- Benefits of urbanisation:
  - Concentration of labour, enabling industrialisation
  - More job opportunities
  - Greater variety of jobs
  - Better basic and specialist services
  - Better education, entertainment, more diverse social opportunities
  - Lower birth rates

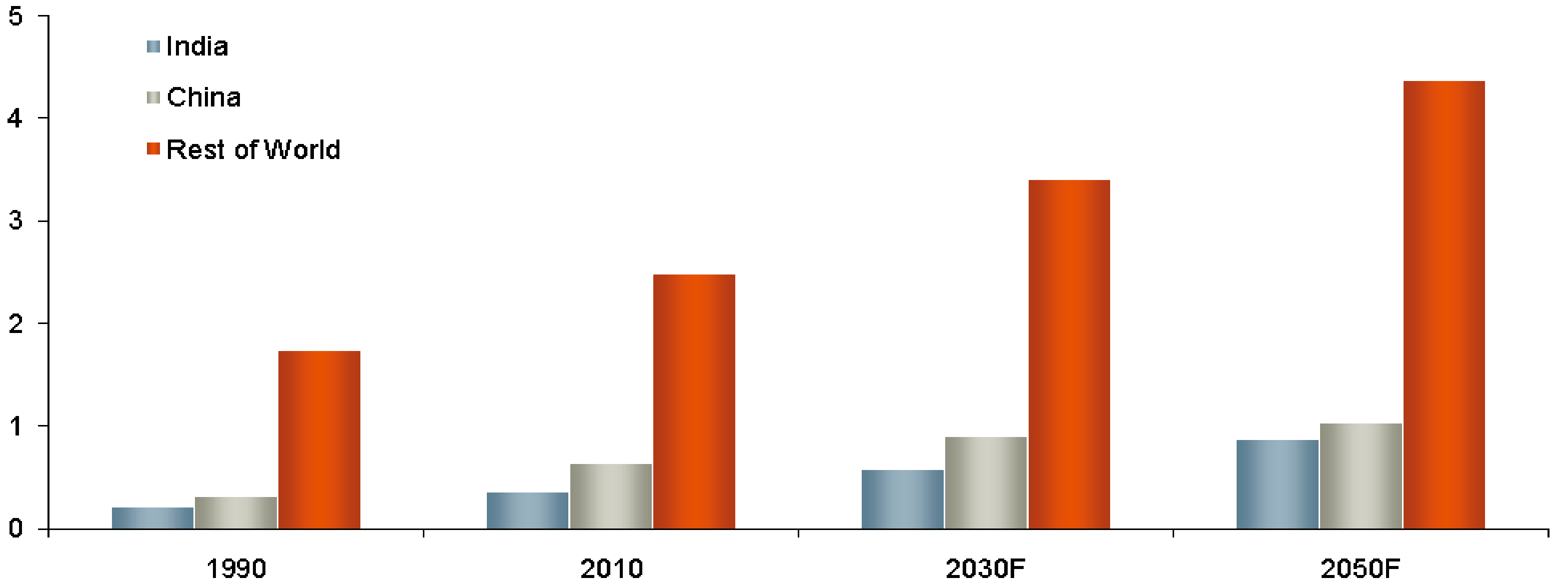
- Pitfalls:
  - Pressure on infrastructure, pollution
  - Rising inequality , slum dwellings
  - Unemployment, social tensions, riots

"Increased urbanisation should be welcomed"

Suman Bery – Country Director (India), International Growth Centre

Population and urbanisation

Projected urbanisation of India, China and Rest of World
(billion people)

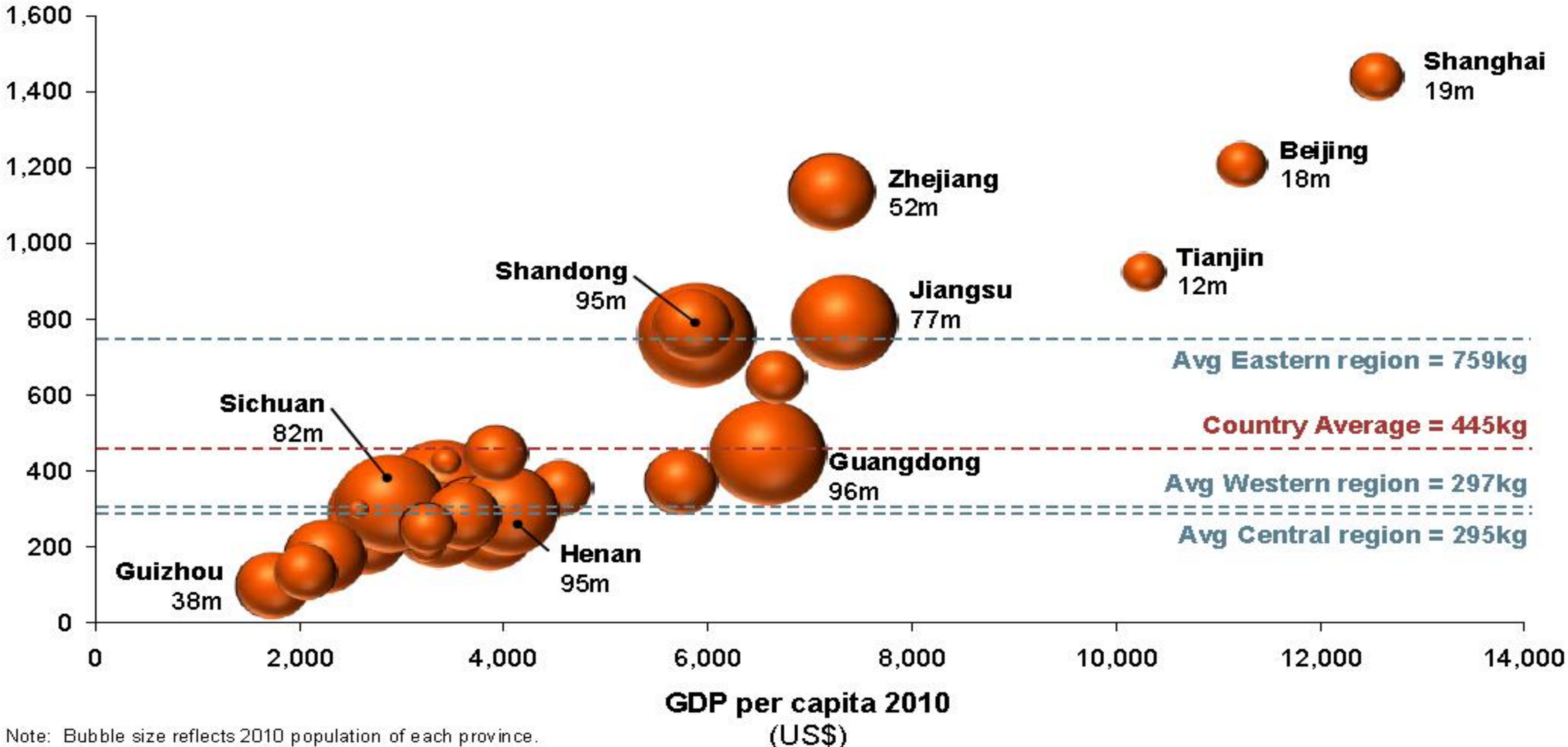


	1990			2010			2030F			2050F		
Total Population (billion people)	0.9	1.1	3.3	1.2	1.4	4.3	1.5	1.5	5.4	1.6	1.4	6.1
Urbanisation (%)	25%	27%	53%	30%	47%	57%	40%	62%	63%	54%	73%	71%

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, McKinsey 2010.

Pressure to replicate current success

Chinese steel intensity by province vs. GDP per capita
Finished steel consumption per capita 2010 (kg)



Note: Bubble size reflects 2010 population of each province.
Source: DRC Report, NBS, BHP Billiton.

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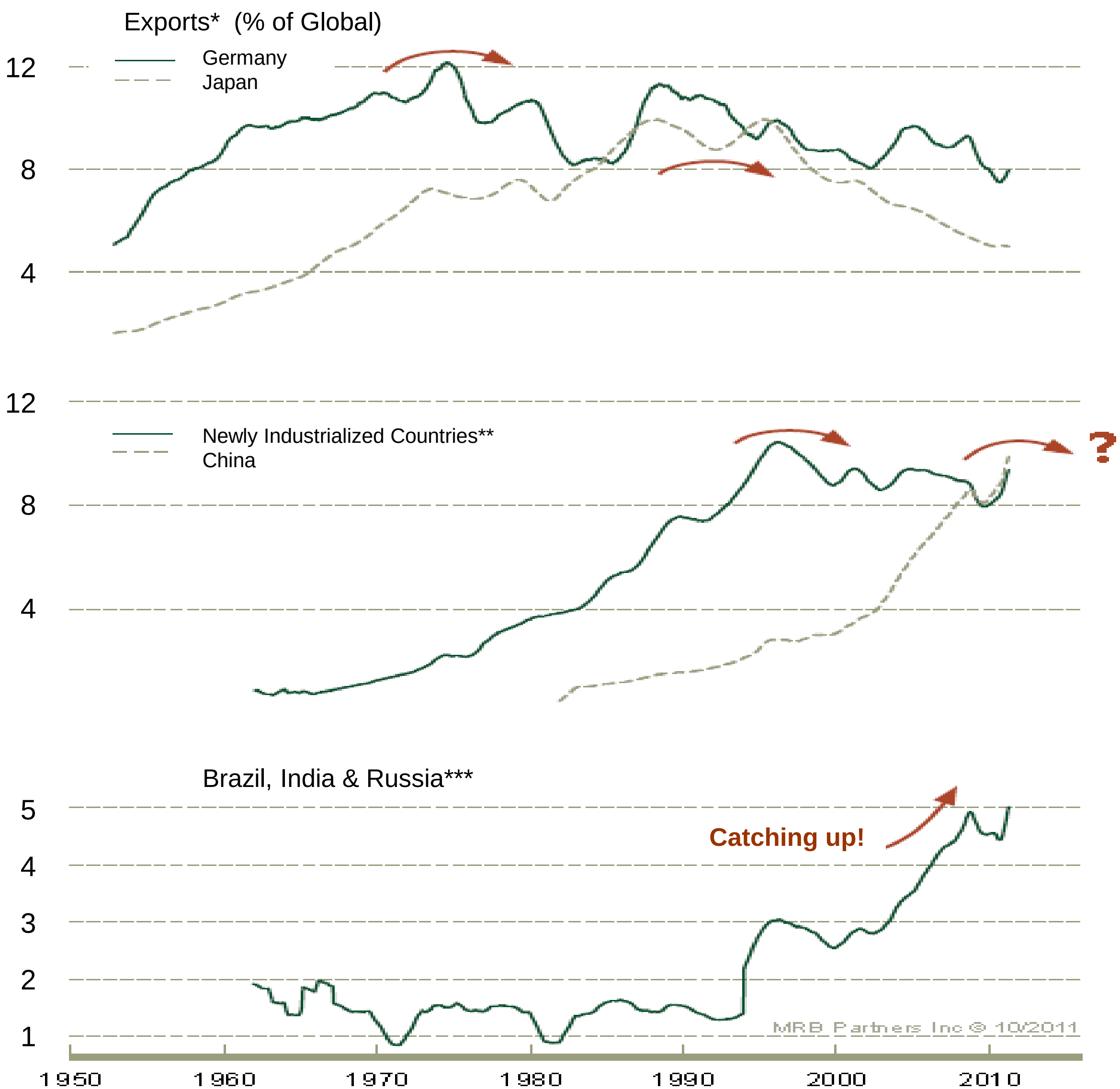
Exports as a % of total Global exports



* 2-year moving average; source: IMF
** Newly Industrialized Countries include Hong Kong, Singapore, South Korea and Taiwan
*** Russia is added as of 1993

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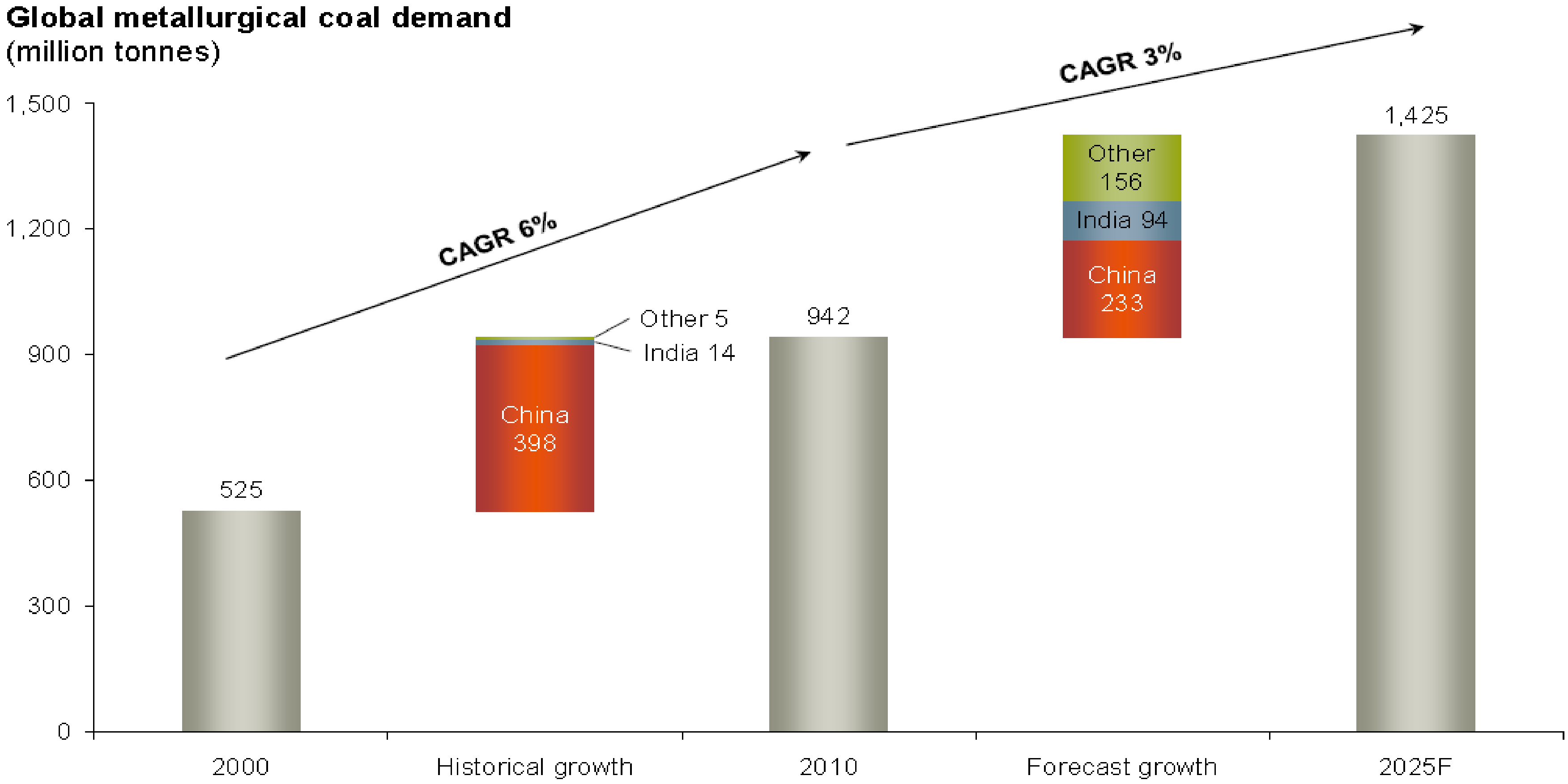
China and increasingly India to account for bulk of demand growth



Source: BHP Billiton.

Can India copy this success?

- 2010 steel production 68m tpa (50-60kg/capita), fourth largest in the world
- Projected production of 120m tpa by March 2012 (Indian Government), +-270m pta by 2020
- 236 MOU's signed in last 5-6 years…………….
- But still suffering under constraints
  - Access to land is a major problem
  - Mine developments stalled at State Government level
  - Karnataka High Court has banned all mining in order to control illegal mining leading to an iron ore shortage
- Ultimately India to replicate (in some form) China's success
  - Electricity production (per capita) where China's was in 1995
  - Steel production where China's was in 1991
  - Chinese steel production growth (1990-2010) was 12.2% pa
  - India's steel growth (2000 – 2010) was 12.4% pa (every 10 years production triples)

Basis of demand for next decade

- China to continue to urbanise
  - 1m people per month moving to the cities
- Will remain the main driver of demand for the first half of the decade
- Rest of the BRIC's starting to make an impact
  - Already Brazil making an impact on the coal markets
  - India industrialisation should continue to increase

And the supply……………..?

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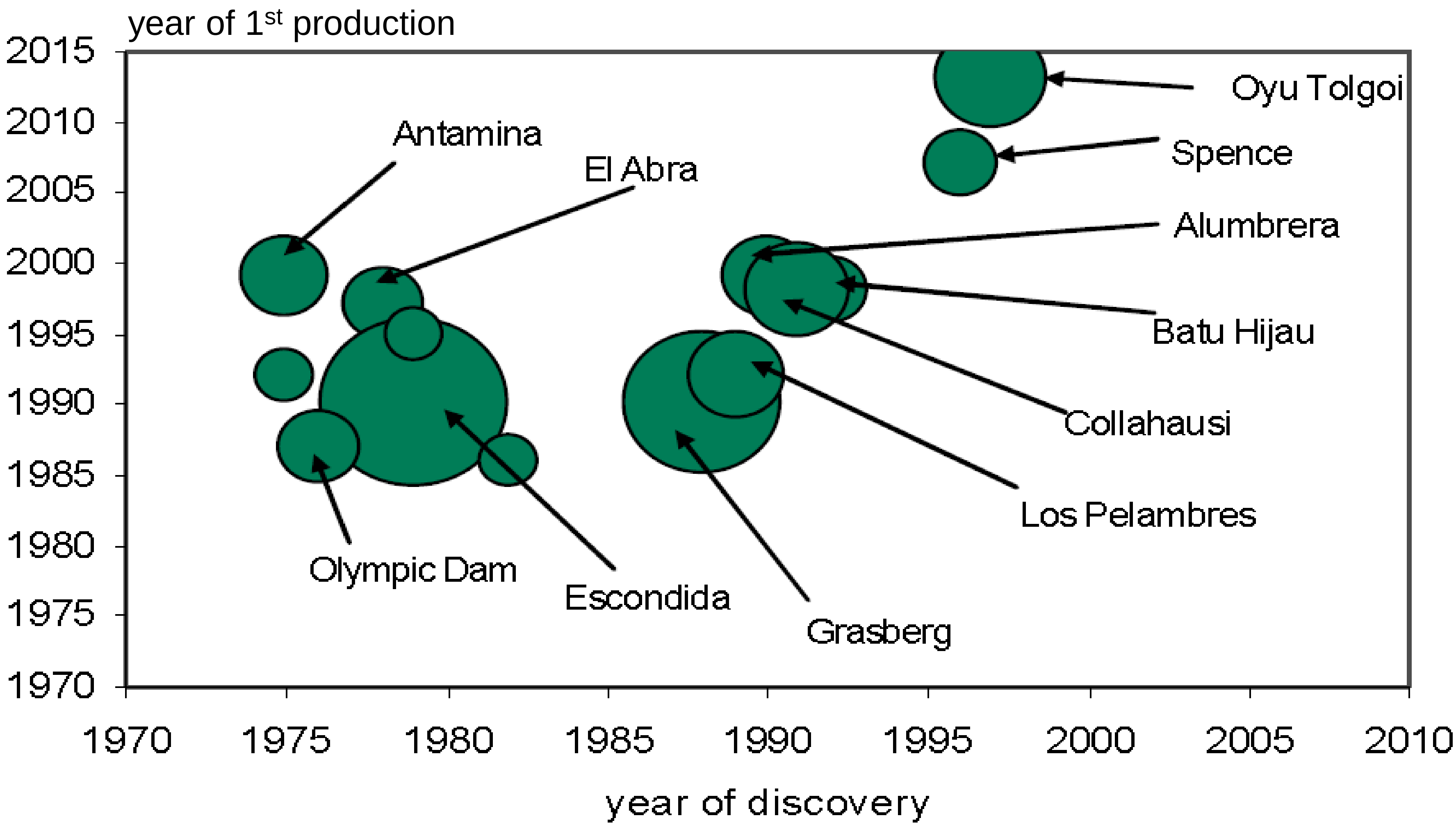
New deposits are getting more difficult to find and take longer to bring into production



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Supply has struggled to match up to expectations (iron ore and copper)

Iron ore production

Copper production

Note: Aspirational iron ore supply based on BHP Billiton analysis as of early 2008.
Source: BHP Billiton.

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Lead time for new projects delayed by permitting, communities, human resources and just getting hold of equipment

- Long term relationships with suppliers are critical
- Attracting talent can be a challenge
- Favours the Big miners
  - have the balance sheet
  - have the resources
  - Capability to deal with new issues
  - Promise of stability
- Unloved but necessary

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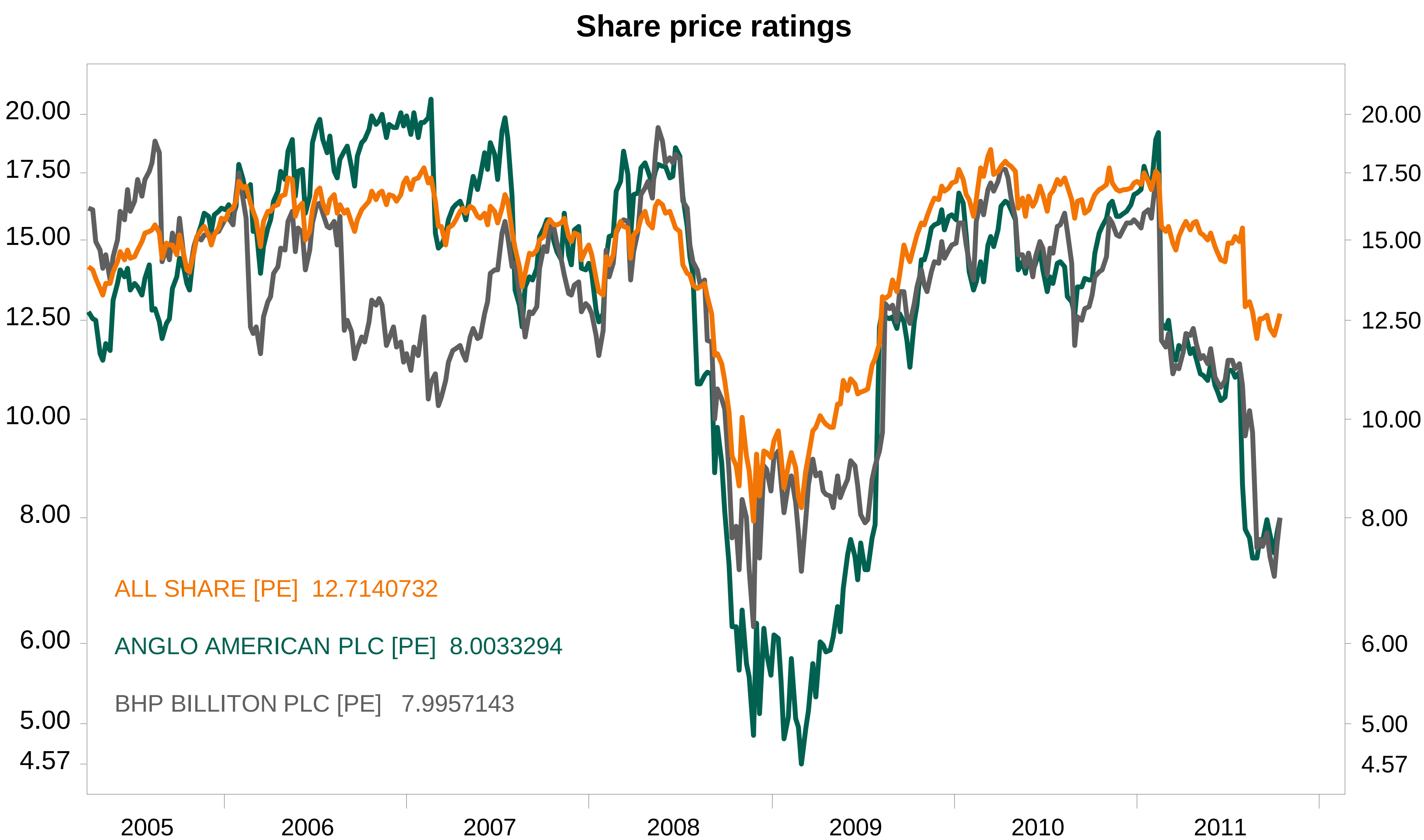
Mining Houses share prices discounting a slowdown



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Mining & Resources Fund positioning

TOP 10 Holdings	Forward PE's (Dec 2012)
Anglo	6.6
Sasol	8.3
Bhpbill	6.6
Lonmin	19.6
XSTRATA	6.7
Gfields	6.6
M&R Holding	7.7
Anggold	7.2
Illovo	13.5
Aveng	9.7

* Top ten shares make up 84% of fund

* International exposure makes up 13.5% of fund

* Cash position of 2%

* 3% exposure to commodities

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Conclusion

- Short term:
  - Commodity prices will be hostage to speculation increasingly focused, *daily,* on how Europe gets out of its debt crisis
  - It can get worse; a panic led Greek default followed by a banking crisis in Europe, and 2008/9 all over again – ***not our base case!!***
  - Prices unlikely to fall sustainably to previous lows

- Long term
  - Urbanisation in the developing world continues, will lead consumption
  - Last ten years has been a China story, the BRI in BRIC's are starting to come through
  - If a Euro led shock – great for longer term prices as new projects put on hold/cancelled
  - Major mining companies much stronger than 2008

Industry Awards – Liberty Resources managed by Ian Woodley

2000: **S&P (Micropal) Award** for the top mining fund (Liberty Resources Fund) over one and three years to 31 December 2000

2001: **S&P (Micropal) Award** for the top mining fund (Liberty Resources Fund) over one and three years to 31 December 2001

2002: **S&P (Micropal) Award** for the top mining fund (Liberty Resources Fund) over one and three years to 31 December 2002

1999: **Raging Bull award** for most consistent performance (Liberty Resources Fund)

2000: **Raging Bull award** for top performance across all unit trusts over three years to 31 December 2000

2000: **Raging Bull award** for top performance in the mining category over three years to 31 December 2000 (Liberty Resources Fund)

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2001: **Raging Bull award** for top performance in the mining category over three years to 31 December 2001 (Liberty Resources Fund)

2002: **Raging Bull award certificate** for top performance in the mining category over three years to 31 December 2002 (Liberty Resources Fund)

2002: **Raging Bull award certificate** for top risk-adjusted performance in the mining category over three years to 31 December 2002 (Liberty Resources Fund)

2002: **Raging Bull award certificate** for most consistent performance in the mining category over three years to 31 December 2002 (Liberty Resources Fund)

2003: **Raging Bull award certificate** for most consistent performance in the prudential-medium-equity category over three years to 31 December 2004 (Stanlib Stability Fund)

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Regulatory Information

Old Mutual Investment Group (South Africa) (Pty) Limited

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Telephone number: +27 21 509 5022

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Personal trading by staff is restricted to ensure that there is no conflict of interest. All directors and those staff who are likely to have access to price sensitive and unpublished information in relation to the Old Mutual Group are further restricted in their dealings in Old Mutual shares.

All employees of Old Mutual Investment Group are remunerated with salaries and standard short-term and long-term incentives. No commission or incentives are paid by Old Mutual Investment Group to any persons. All inter-group transactions are done on an arms lengths basis.

In respect of pooled, life wrapped products, the underlying assets are owned by Old Mutual Life Assurance Company (South Africa) Limited who may elect to exercise any votes on these underlying assets independently of Old Mutual Investment Group.

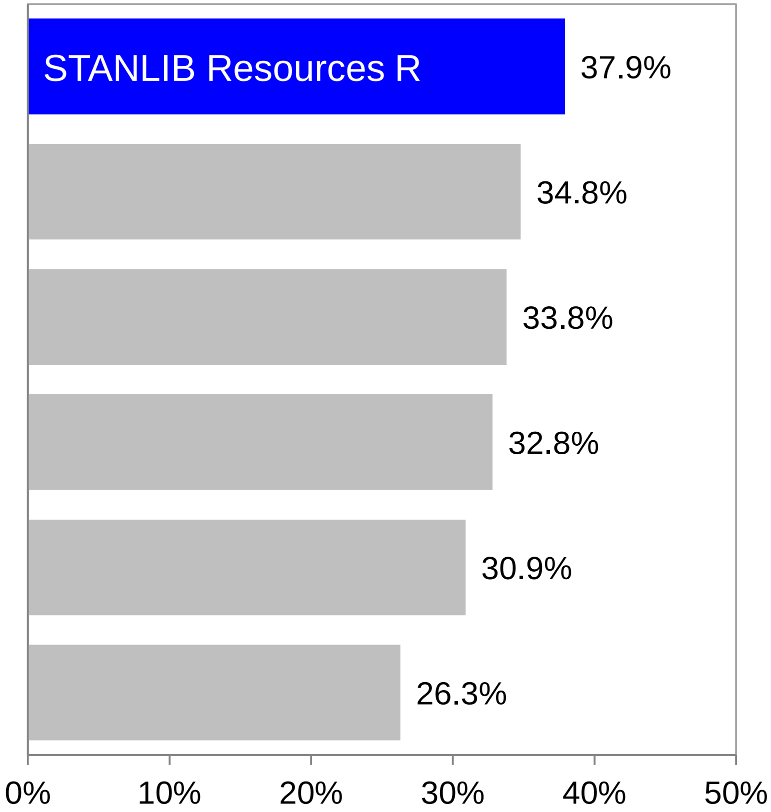
In respect of these products, no fees or charges will be deducted if the policy is terminated within the first 30 days. Returns on these products depend on the performance of the underlying assets.

Old Mutual Investment Group has comprehensive crime and professional indemnity insurance. For more detail, as well as for information on how to contact us and on how to access information please visit www.omigsa.com.

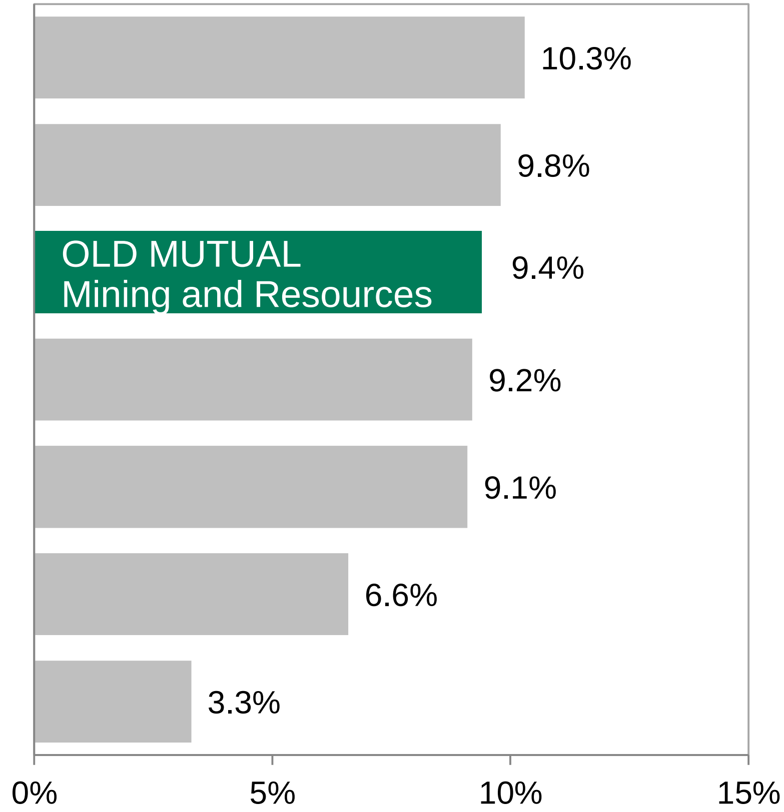
Annexure

Combining individual talent and a strong team process

Ian Woodley while at STANLIB 01.01.98 – 01.07.03



OMIGSA 5 years to 30.09.11



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Investment Process

1 Investable universe

Companies in the resources sector or derive a significant portion of their earnings from the mining sector.

Impose client restrictions

Liquidity

35-40 local
>100 international

2 Fundamental Research

Search for companies that trade below their intrinsic value by:

- Performing in-depth financial analysis
- Evaluating management & strategy
- Recommend BUY/SELL vs. resources sector

Buy candidates

3 Portfolio construction

Security Selection based on:

- Ranking of investable universe
- Weights dependent on conviction and pfm risk assessment
- Consider liquidity, concentration and risk
- Benchmark agnostic

18-25 diversified stock portfolio

4 Ongoing monitoring and risk management

- Daily portfolio and trade review
- Monthly performance and attribution review
- Continuous reconsideration of buy/sell criteria
- Client mandates

Portfolio designed to outperform while maintaining risk controls

A consistent, disciplined process

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Investment Objectives/Philosophy

- Objectives
  - To generate excess returns in the resources universe

- Investment Philosophy:
  - Contrarian approach, “hot” stocks/sectors” are generally avoided
  - **We construct concentrated , unconstrained portfolios**
  - We prefer high quality companies that can come down the cost curve and improve their competitiveness
  - Relatively less emphasis on timing and more emphasis on fundamental research
  - We do not aim to deliver short-term performance

- Investment Process
  - Rigorous research, strict discipline and a common framework (DCF)
  - We concentrate on the drivers and robustness of a stocks intrinsic value
  - In favour of stocks/sectors that are intrinsically under valued

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