

5 December 2011

Dear Investor

**This letter is important and requires your immediate attention.**

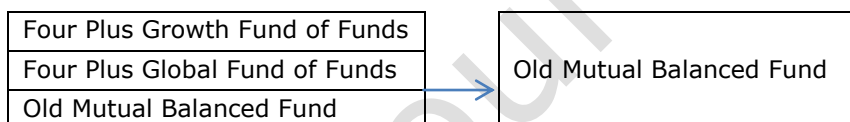
Please vote on a proposed merger (amalgamation) that affects one or more of the unit trust funds in which you are invested. We propose to merge the Four Plus Growth Fund of Funds, Four Plus Global Fund of Funds, Four Plus Secure Fund of Funds and Four Plus Capital Fund of Funds into similar Old Mutual funds, so please read this letter in order to understand the proposed change, and then vote accordingly. Your ballot form must reach our auditors by **Tuesday 14 February 2012** at the latest for your vote to be counted. If you do not vote, legislation states that you are considered to have voted in favour of the merger.

**Proposed mergers:**

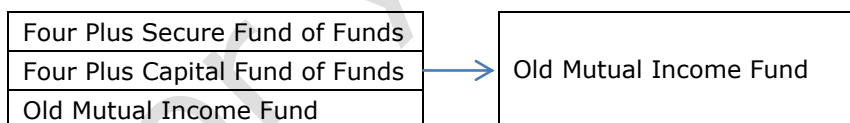
Four Plus Growth Fund of Funds and Four Plus Global Fund of Funds with Old Mutual Balanced Fund:

**Original funds**

**Post-merger funds**



Four Plus Secure Fund of Funds and Four Plus Capital Fund of Funds with Old Mutual Income Fund:



Should these ballots be successful, the above funds will merge with effect from Friday 30 March 2012 and the Old Mutual Balanced Fund and the Old Mutual Income Fund will be the continuing funds.

**The reasons for and implications of these proposed changes are explained in considerable detail in Addendums A and B. We urge you to read these carefully and come to a considered decision.**

**Your rights as an investor and actions required**

The rights of investors are firmly entrenched in the Collective Investment Schemes Control Act (CISCA), the Main Deed and the Trust Deed of each portfolio.

1. As an investor in one or more of these unit trust portfolios, you must be given an opportunity to vote in favour of or against the proposed mergers in terms of section 99 of CISCA.
2. Enclosed is a ballot form. Please complete, sign and return it to our auditors either by emailing the scanned document, or by sending it via fax or mail. It must reach our auditors by no later than midnight on **Tuesday 14 February 2012** (all ballots date-stamped on or before **14 February 2012** will be accepted for three days after the cut-off date for audit purposes). An independent auditor will verify the outcome of the ballot.
- 3. If you do not exercise a vote, it will be deemed that you have voted 'yes'.**
4. If you are not comfortable with the proposed mergers, you may switch your investments to any of the Old Mutual unit trust portfolios at no switching cost – provided that we receive your switching instructions before **Thursday 29 March 2012**.
5. If you are not comfortable with the proposal and do not wish to switch your investments to any of Old Mutual's unit trusts, you may sell your investments at any time and withdraw your funds at the NAV price, as defined in the relevant Trust Deed. **Please note that if you action a sell or a switch, it will constitute a capital gains tax (CGT) event for which you may be liable to pay CGT at your next income tax assessment.**
6. If these ballots receive investor approval the proposed mergers will automatically apply to your investments, unless you choose to switch or sell them prior to **29 March 2012**.

### **Recommendation**

We recommend that you vote in favour of these mergers because we believe them to be in your best interests.

### **Effective date**

The effective date of the proposed mergers will be Friday 30 March 2012, provided that the necessary consent is obtained from investors and the Registrar of Collective Investment Schemes.

Should you have any queries about these changes or any of the other unit trusts available to you, please email us at [unittrusts@oldmutual.com](mailto:unittrusts@oldmutual.com) or call us at 0860 234 234.

### **Immediate Action Required**

Please complete and sign the enclosed ballot form and return it to our auditors, KPMG, by scanning and emailing it to [OM-ballot@kpmg.co.za](mailto:OM-ballot@kpmg.co.za), or by faxing it to 011 647 5805. If you received this letter via post you can return the form in the reply-paid envelope provided, or if you received it via email you can write the freepost address on a blank envelope (no stamp required if posted in South Africa): KPMG Incorporated, Business Reply Service Licence No. CB 11396, Cape Town 8000.

Note that your completed ballot form must reach our auditors by no later than Tuesday 14 February 2012 in order for your vote to be counted.

Kind regards

**Pieter Hugo**  
Managing Director  
Old Mutual Unit Trusts

## **Addendum A: Background and Fees**

### **Background**

Old Mutual Unit Trusts has decided to reduce the number of funds in its range to make it easier for clients to do business with them by simplifying the investment decision. Where possible funds with similar mandates are merged, which also allow the managers to focus their efforts on one set of mandates.

The proposal is for Four Plus Growth Fund of Funds and Four Plus Global Fund of Funds to merge with Old Mutual Balanced Fund, and for Four Plus Secure Fund of Funds and Four Plus Capital Fund of Funds to merge with Old Mutual Income Fund. The continuing unit trusts will retain the names and investment policies of the Old Mutual Balanced Fund and Old Mutual Income Fund respectively.

### **Fees**

#### **1. Initial fees:**

Initial fees are normally payable when making a new investment into a fund and are deducted from the investment amount before units are bought. There will be no change in the existing initial fee structure for clients currently invested in any one of the funds involved in the proposed amalgamation. However, Old Mutual does not levy any initial charges in any of these funds except on debit orders below the current R500 p.m. minimum.

Existing debit order arrangements of less than R500 p.m. in the Four Plus funds will be allowed to continue in the new portfolio at the same initial charge currently paid. Initial fees will not apply to units transferred as a result of these amalgamations. Any new subsequent investment, in excess of R500 will not attract any initial fees. The maximum initial fees levied on investments lower than R500 will be 5.7%.

#### **2. Exit fees:**

Old Mutual does not levy any exit fees in the Old Mutual Balanced Fund or Old Mutual Income Fund when clients switch out or sell their units.

#### **3. Annual service fees, TER and distribution periods:**

Annual service fees are accrued daily and paid to the management company on a monthly basis. Other charges incurred by the fund, and deducted from its portfolio, are included in the Total Expense Ratio (TER). The TER is a historic measure and includes the annual service fee. It provides a relatively accurate picture of costs incurred by the fund over the preceding year. All TERs are as at 30 September 2011.

Currently, the Four Plus funds pay 0.57% of their annual service fee as an adviser fee. We propose to continue paying this fee where clients have advisers currently active on their accounts, but to move clients without advisers into a new, lower fee class.

**Merging Four Plus Secure Fund of Funds & Four Plus Capital Fund of Funds with Old Mutual Income Fund**

**Four Plus Secure Fund of Funds:** Quarterly distributions

Class A only: 1.14% annual service fee (incl. VAT) – flat fee class  
 Excluding underlying fund fees  
**TER = 2.01%** (all inclusive)

**Four Plus Capital Fund of Funds:** Half-yearly distributions

Class A only: 1.14% annual service fee (incl. VAT) – flat fee class  
 Excluding underlying fund fees  
**TER = 2.81%** (all inclusive)

**Old Mutual Income Fund (Target Fund):** Quarterly distributions

Target fee class A3: Clients with advisers to be merged into this class  
 1.43% annual service fee (incl. VAT) – flat fee class  
**TER = 1.43%** (all inclusive)<sup>1</sup>

Target fee class R: Clients without advisers to be merged into this class  
 0.86% annual service fee (incl. VAT) – flat fee class  
**TER = 0.86%** (all inclusive)

	Before Amalgamation				After Amalgamation		
	Class	Service Fee	TER		Class	Service Fee	TER
Four Plus Secure FoF	A (with adviser)	1.14%	2.01%	Old Mutual Income Fund	A3 <sup>2</sup> (with adviser)	1.43%	1.43% <sup>1</sup>
Four Plus Capital FoF	A (with adviser)	1.14%	2.81%	Old Mutual Income Fund	A3 <sup>2</sup> (with adviser)	1.43%	1.43% <sup>1</sup>
Four Plus Secure FoF	A (without adviser)	1.14%	2.01%	Old Mutual Income Fund	R <sup>3</sup> (without adviser)	0.86%	0.86%
Four Plus Capital FoF	A (without adviser)	1.14%	2.81%	Old Mutual Income Fund	R <sup>3</sup> (without adviser)	0.86%	0.86%

From the above it is clear that the investments of existing investors in the Four Plus Secure Fund of Funds and Four Plus Capital Fund of Funds will be subject to significantly lower TERs in the post-amalgamation Old Mutual Income Fund.

Note that the Old Mutual Income Fund C fee class is not a target fee class for the purposes of the current merger. Clients invested in this class are, however, also provided with the opportunity to exercise their vote.

- <sup>1</sup> The A3 fee class is specifically created for purposes of the amalgamation and the TER shown is therefore only illustrative as it is based on the annual service fee of the new fee class and actual costs incurred over the past year in existing fee classes.
- <sup>2</sup> Class A investors in Four Plus Secure Fund of Funds and Four Plus Capital Fund of Funds with advisers will be merged into class A3 of the Old Mutual Income Fund.
- <sup>3</sup> Class A investors in Four Plus Secure Fund of Funds and Four Plus Capital Fund of Funds without advisers will be merged into class R of the Old Mutual Income Fund. Clients invested in the funds via an administrative FSP (LISP) will be invested into the R class, regardless of their class of origin prior to the merger.

## **Merging Four Plus Growth Fund of Funds & Four Plus Global Fund of Funds with Old Mutual Balanced Fund**

### **Four Plus Growth Fund of Funds:** Half-yearly distributions

Class A: 1.14% annual service fee (incl. VAT) – flat fee class  
Excluding underlying fund fees  
**TER = 2.29%** (all inclusive)

Class B: 0.68% annual service fee (incl. VAT) – flat fee class  
Excluding underlying fund fees  
**TER = 1.83%** (all inclusive)

### **Four Plus Global Fund of Funds:** Half-yearly distributions

Class A: 1.14 % annual service fee (incl. VAT) – flat fee class  
Excluding underlying fund fees  
**TER = 2.41%** (all inclusive)

Class B: 0.68% annual service fee (incl. VAT) – flat fee class  
Excluding underlying fund fees  
**TER = 1.95%** (all inclusive)

### **Old Mutual Balanced Fund (Target fund):** Half-yearly distributions

The Old Mutual Balanced Fund target fee classes charge performance fees. This means that a minimum service fee applies irrespective of performance and that a performance fee up to a certain maximum becomes payable once the fund performance exceeds the fee hurdle. The performance fee is 15% of performance above the fee hurdle, subject to a maximum annual service fee.

The fund's benchmark is CPI and the fee hurdle is CPI + 2% p.a.

Target fee class A3: Clients with advisers to be merged into this class<sup>2</sup>  
1.43% minimum service fee (incl. VAT)  
**TER at fund performance of CPI + 6% = 2.34%**<sup>1</sup>

Target fee class A: Clients without advisers to be merged into this class  
0.86% minimum service fee (incl. VAT)  
**TER at fund performance of CPI + 6% = 1.77%**<sup>3</sup>

<sup>1</sup> The A3 fee class is specifically created for purposes of the amalgamation and the TER shown is therefore only illustrative as it is based on the annual service fee of the new fee class and actual costs incurred over the past year in existing fee classes.

<sup>2</sup> Class A investors in Four Plus Growth Fund of Funds and Four Plus Global Fund of Funds with advisers will be merged into class A3 of the Old Mutual Balanced Fund.

<sup>3</sup> Classes A and B investors in Four Plus Growth Fund of Funds and Four Plus Global Fund of Funds without advisers will be merged into class A of the Old Mutual Balanced Fund. Clients invested in the funds via an administrative FSP (LISP) will be invested into the A class, regardless of their class of origin prior to the merger.

The table below shows the total annual service fee at various levels of performance (gross of fees):

Old Mutual Balanced Fund Returns over a rolling one-year period	Service Fees (incl. VAT)	
	Class A3	Class A
Equal to CPI (Benchmark)	1.43% p.a.	0.86% p.a.
Equal to CPI + 2% (Hurdle)	1.43% p.a.	0.86% p.a.
Equal to CPI + 6%	2.11% p.a.	1.54% p.a.
Equal CPI + 11%	2.96% p.a.	2.39% p.a.
Equal CPI + 16%	Capped at 3.42% p.a.	Capped at 2.85% p.a.

The following schedule depicts the current and proposed fees and charges applicable to those clients affected by the ballots:

Before Amalgamation	Class	Service Fees	TER	After Amalgamation	Class	Service Fees	TER at CPI + 6%*
Four Plus Growth Fund of Funds	A (with adviser)	1.14%	2.29%	Old Mutual Balanced Fund	A3 <sup>2</sup> (with adviser)	1.43%	2.34% <sup>1</sup>
Four Plus Growth Fund of Funds	A (without adviser)	1.14%	2.29%	Old Mutual Balanced Fund	A <sup>3</sup> (without adviser)	0.86%	1.77%
Four Plus Growth Fund of Funds	B (without adviser)	0.68%	1.83%	Old Mutual Balanced Fund	A <sup>3</sup> (without adviser)	0.86%	1.77%
Four Plus Global Fund of Funds	A (with adviser)	1.14%	2.41%	Old Mutual Balanced Fund	A3 <sup>2</sup> (with adviser)	1.43%	2.34% <sup>1</sup>
Four Plus Global Fund of Funds	A (without adviser)	1.14%	2.41%	Old Mutual Balanced Fund	A <sup>3</sup> (without adviser)	0.86%	1.77%
Four Plus Global Fund of Funds	B (without adviser)	0.68%	1.95%	Old Mutual Balanced Fund	A <sup>3</sup> (without adviser)	0.86%	1.77%

Existing investors in the Four Plus Global Fund of Funds classes A and B will be subject to a lower TER after the merger at both CPI + 2% and CPI + 6% fund performance. Four Plus Growth Fund of Funds class A investors will be subject to a lower TER at CPI + 2% fund performance and a very small increase in TER at CPI + 6% fund performance, whilst Four Plus Growth Fund of Funds class B investors will be subject to a lower TER at both CPI + 2% and CPI + 6% fund performance after the merger.

<sup>1</sup> The A3 fee class is specifically created for purposes of the amalgamation and the TER shown is therefore only illustrative as it is based on the annual service fee of the new fee class and actual costs incurred over the past year in existing fee classes.

<sup>2</sup> Class A investors with advisers in Four Plus Growth Fund of Funds and Four Plus Global Fund of Funds will be merged into class A3 of the Old Mutual Balanced Fund.

<sup>3</sup> Classes A and B investors without advisers in Four Plus Growth Fund of Funds and Four Plus Global Fund of Funds will be merged into class A of the Old Mutual Balanced Fund. Clients invested in the fund via an administrative FSP (LISP) will be invested into the A class, regardless of their class of origin prior to the merger.

Note that the Old Mutual Balanced Fund B2, C and R (closed to new business) fee classes are not target fee classes for purposes of the current merger. Clients invested in those classes are, however, also provided with the opportunity to exercise their vote.

**For more information on performance fees, please consult the Frequently Asked Questions document available on our website ([www.omut.co.za](http://www.omut.co.za)) or call our service centre at 0860 234 234.**

For your info only

## Addendum B

### Investment Policy Comparisons

<b>Fund</b>	<b>Four Plus Secure Fund of Funds</b>	<b>Four Plus Capital Fund of Funds</b>	<b>Old Mutual Income Fund</b>
Objective(s)	Specialist fund of funds with objective to generate a high level of current income as is consistent with a high degree of liquidity and capital preservation, through the active management of a diversified portfolio of money market, gilt and income funds.	Asset allocation fund of funds with a strong bias towards capital protection, a low risk profile and low volatility. Aims to achieve long-term capital security and a reasonable level of current income.	The manager aims to achieve the optimum level of current income and reasonable stability for capital invested.
Permitted holdings	Apart from assets in liquid form, consists solely of participatory interests of collective investment schemes that invest in a combination of actively managed portfolios of gilt, semi-gilt, money market and other interest-bearing securities registered in the Republic of South Africa.	Apart from assets in liquid form, consists solely of participatory interests of collective investment schemes invested in general equity portfolios, income fund portfolios and money market portfolios registered in the Republic of South Africa. The portfolio focuses its core holdings on the Old Mutual Dynamic Floor Fund or portfolios with similar investment objectives as well as money market portfolios.	The fund will normally hold a mix of gilts and semi-gilts, assets in liquid form and other exchanges' securities.
Offshore allowed?	Yes	No	No
Regulation 28 compliant?	No	Yes	No

<b>Fund</b>	<b>Four Plus Growth Fund of Funds</b>	<b>Four Plus Global Fund of Funds</b>	<b>Old Mutual Balanced Fund</b>
Objective(s)	Specialist fund of funds with the objective to provide capital growth and income in order to secure a stable total return over the medium to longer term.	General fund of funds with the objective to seek superior medium- to long-term growth of capital.	Objective to achieve steady growth of income and capital, a reasonable level of current income and the maximum possible stability for capital invested.
Permitted holdings	Apart from assets in liquid form, consists solely of participatory interests of collective investment schemes invested in portfolios of equity, gilts, semi-gilts and money market securities registered in the Republic of South Africa or similar schemes operated in territories with a regulatory environment which is, to the satisfaction of the manager and trustee, of a sufficient standard to provide investor protection at least equivalent to that in South Africa.	Apart from assets in liquid form, consists solely of participatory interests of collective investment schemes in actively managed portfolios of equity, gilts, semi-gilts and money market securities registered in the Republic of South Africa or similar schemes operated in territories with a regulatory environment which is, to the satisfaction of the manager and trustee, of a sufficient standard to provide investor protection at least equivalent to that in South Africa. The portfolio focuses its investments in schemes of which the underlying securities consist of assets with a high growth potential.	Composition by way of assets and their respective proportions shall at all times reflect the asset allocation preferences of retirement funds. May also hold participatory interests or any other form of participation in collective investment schemes or other similar schemes approved by the Financial Services Board.
Offshore allowed?	Yes	Yes	Yes
Regulation 28 compliant?	Yes	No	Yes