



## Macro Strategy Investments monthly updates | March 2012



**OLD MUTUAL**

Investment Group

Macro Strategy  
Investments



# Macro Solutions - The Asset Allocation Experts

We use **active asset allocation**

based on our **unique long term philosophy**

This is integrated with the **bottom-up skills** of our specialist sister companies

To provide our clients with consistent **excellent long term real returns**

Perspective is critical, we remain long term investors considering both **strategic and tactical asset allocation.**

Our value add: Over the past 20 years our balanced solution has delivered to clients 95% of pure equity returns, at significantly lower risk than that of pure equity investments



# Our People



# Macro Strategy Investments Team



**Peter Brooke**  
Boutique Head



**Sathyen Mahabeer**  
Chief Operating Officer



**Denzil Burger**  
Portfolio Manager



**Anil Thakersee**  
Portfolio Manager



**Urvesh Desai**  
Portfolio Manager



**Rian Le Roux**  
Chief Economist



**Johann Els**  
Economist



**Alida Jordaan**  
Portfolio Manager



**Arthur Karas**  
Portfolio Manager



**Warren Vd Westhuizen**  
Portfolio Manager



**Evan Robins**  
Portfolio Manager



**Thabo Motloug**  
Property Analyst



**Graham Tucker**  
Quantitative Strategist



**Vanessa Eckles**  
Research Analyst



**Merrelyn Diale**  
Business Development



**Dharmesh Dayal**  
Business Development



**Jakobus Wüst**  
Business Development



**Melanie Vollenhoven**  
Distribution Support



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# Macro Strategy Investments Team

## Portfolio Managers

**Peter Brooke**  
(16 Yrs)



**Denzil Burger**  
(28 Yrs)



**Anil Thakersee**  
(9 Yrs) CFA



**Urvesh Desai**  
(8 Yrs) FIA



## Economist

**Rian Le Roux**  
(31 Yrs)



## Portfolio Construction



**Alida Jordaan**  
(17 Yrs) CFA



**Arthur Karas**  
(20 Yrs) CFA



**Warren Vd Westhuizen**  
(13 Yrs) CFA

## Equity Team



**Graham Tucker**  
(10 Yrs) CFA



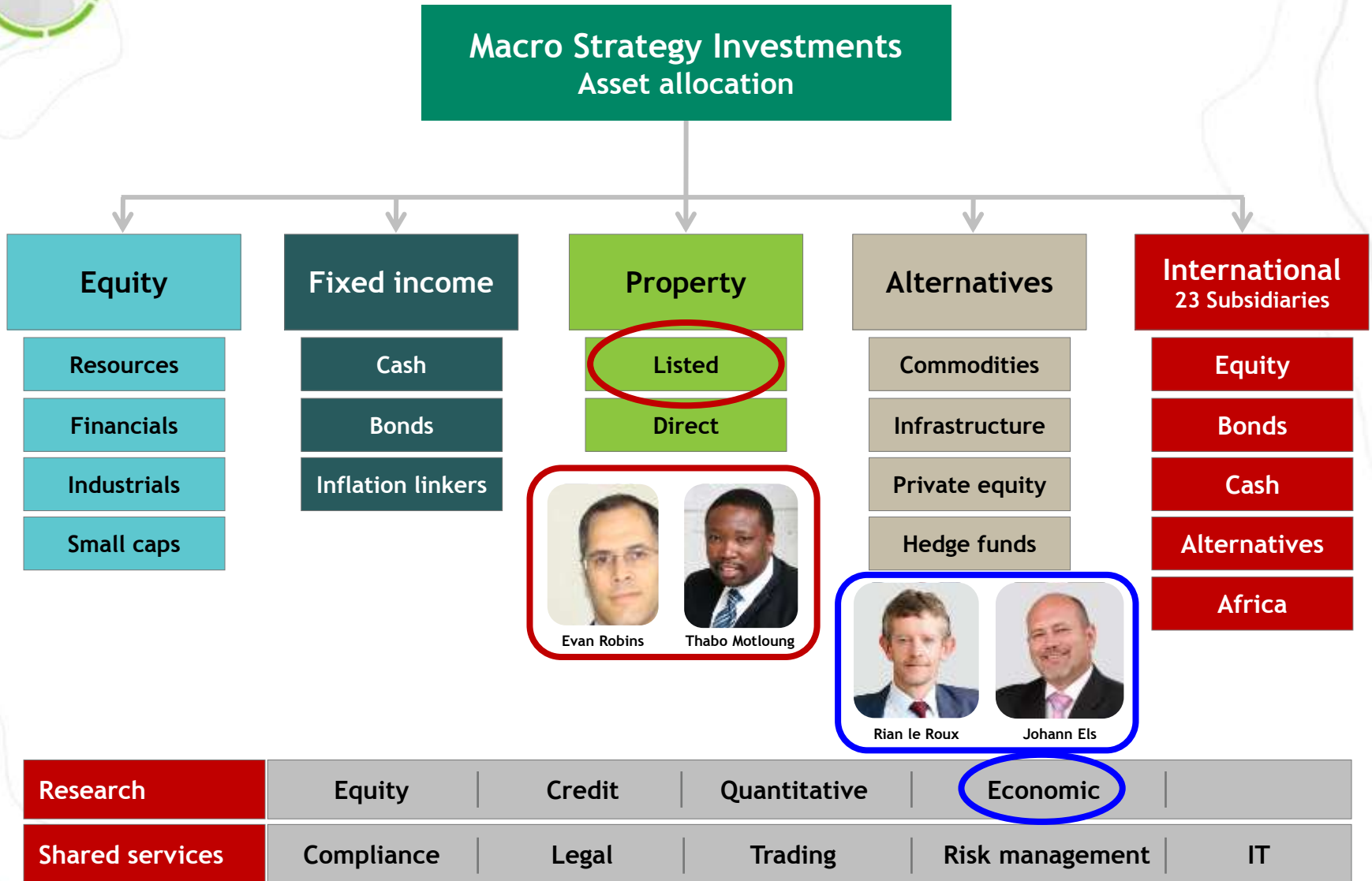
**Vanessa Eckles**  
(10 Yrs)

## Quantitative Research Team





# Recent changes to the Team





# Philosophy



# What do we believe in?

- Asset allocation works
  - The benefits of diversification and the ability to optimise clients risk / return and income trade offs are obvious
- Active asset allocation works
  - Assets have big secular trends and one needs flexibility to capture them
  - A strategic, **long-term perspective** is crucial
  - Maximise your opportunity set through a full tool kit. Alpha lies between the cracks.
- Integrated solutions are superior
  - Blend top down themes and bottom up valuation
  - A dedicated portfolio manager leveraging the specialist skills within the group



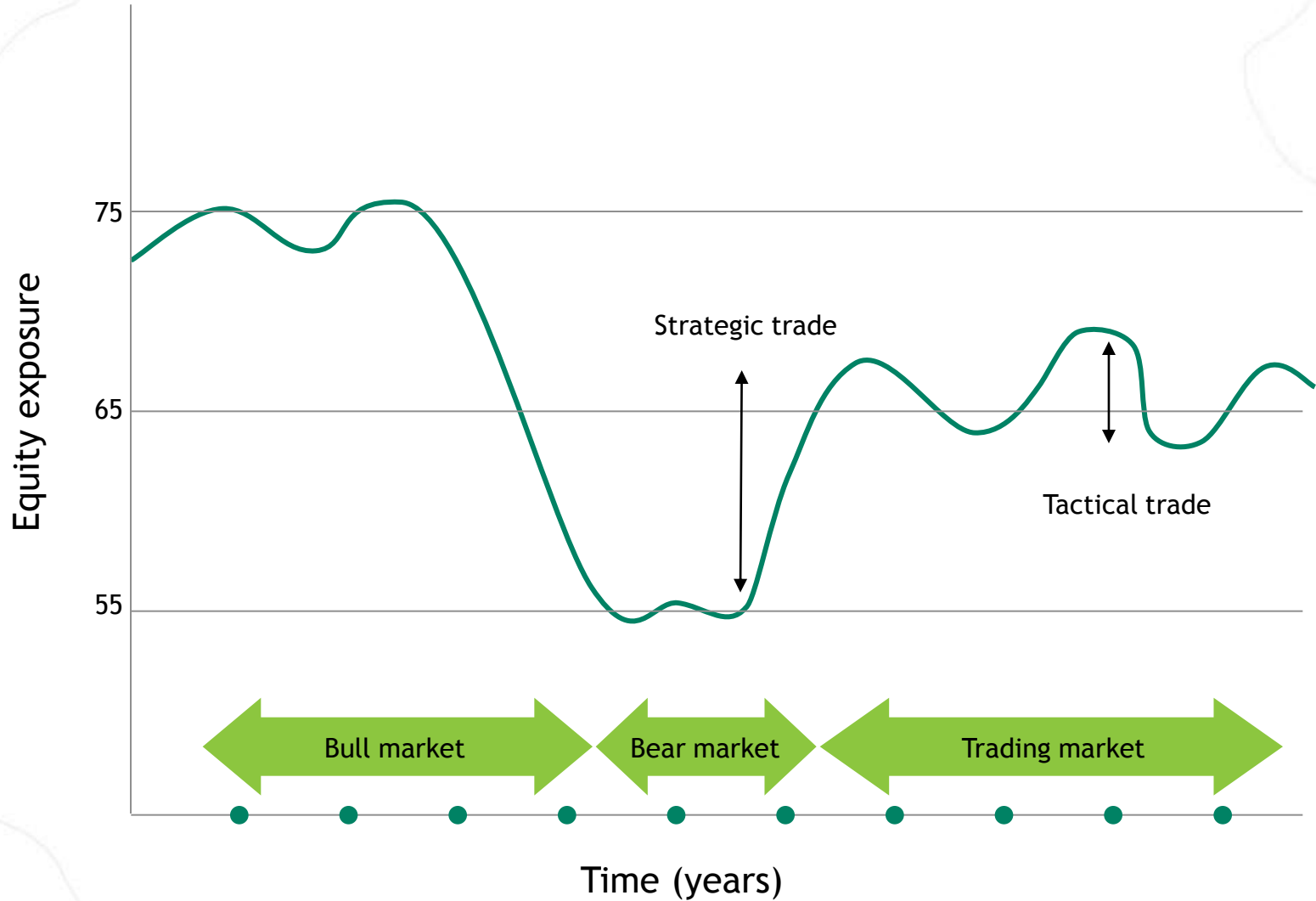
# Philosophy: Theme and Price

“Integrating top down  
& bottom up”

		TOP DOWN Macro Environment Markets Themes	
		BAD THEME Deteriorating Environment	THEME Improving Environment
BOTTOM UP Valuations	HIGH Expensive	<b>Sell All</b>	<b>Reduce</b>
	LOW Cheap	<b>Buy Some</b>	<b>Buy Lots</b>



# Equity Exposure





# Our Process



# Portfolio construction process

## 1. CLIENT MANDATE

- ▲ Risk reward requirement
- ▲ Expected real returns
- ▲ Diversification
- ▲ Optimisation

## 2. STATIC BENCHMARK

- ▲ Themes
- ▲ Macro framework
- ▲ Relative valuations

## 3. STRATEGIC ALLOCATION

- ▲ Quantitative models
- ▲ Competitor analysis
- ▲ Broker analysis
- ▲ Technical factors

## 4. TACTICAL ALLOCATION

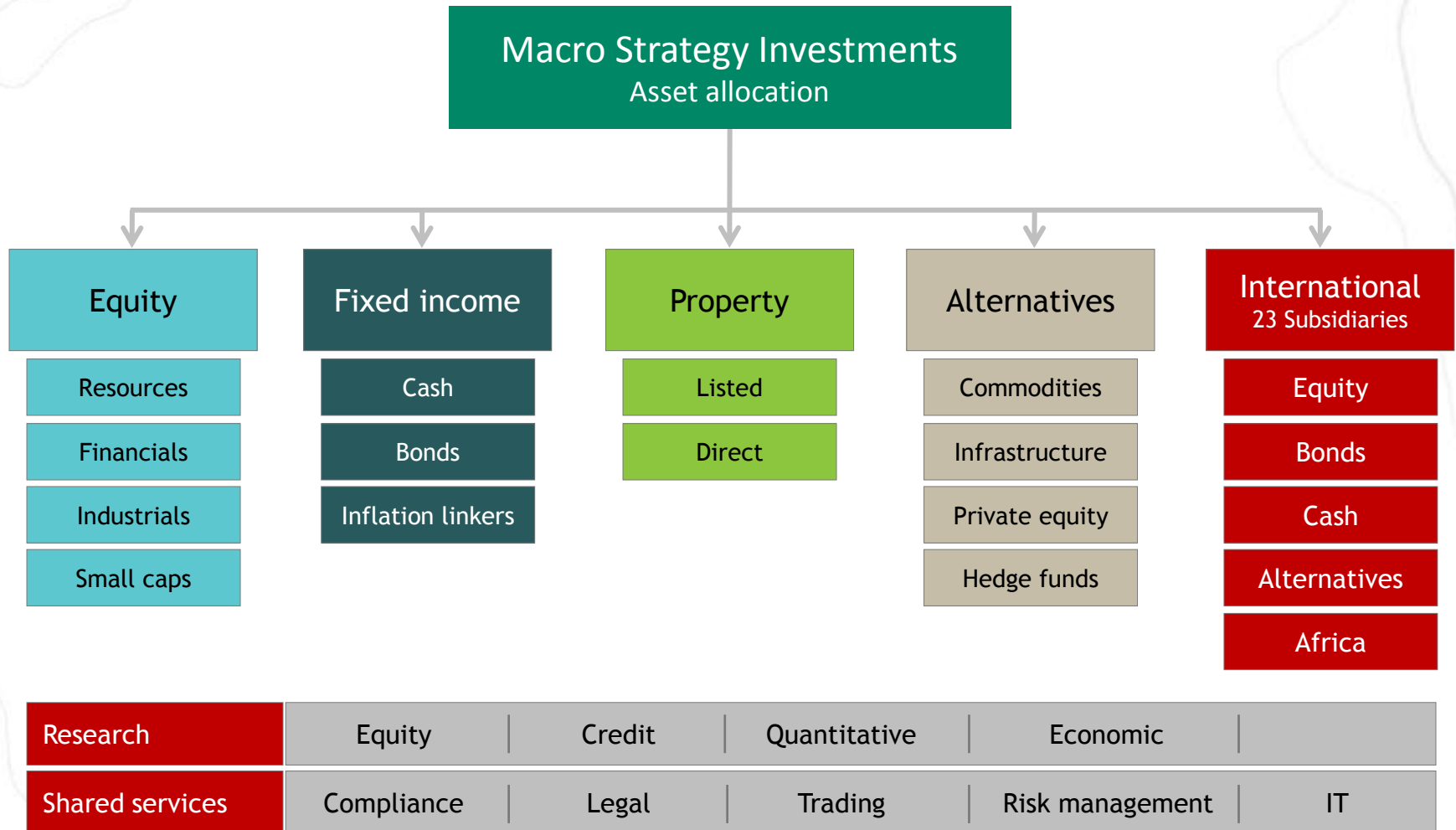
**ACTUAL PORTFOLIO**

TIME FRAME		OBJECTIVE	
20 yrs+	<b>LONG TERM BIAS</b>	Deliver real returns within risk constraints	<b>HOLISTIC BENCHMARK PHILOSOPHY</b>
5 yrs		Outperform static benchmark	
6-12 months		Beat peers	



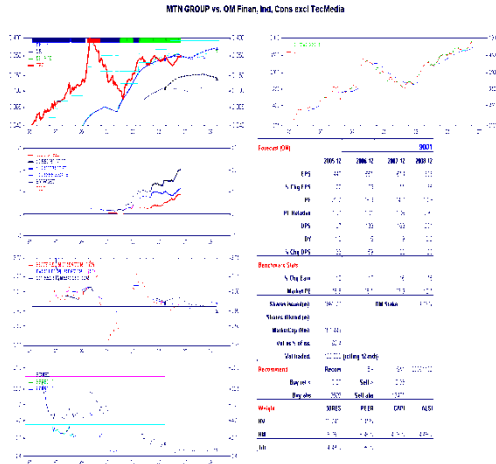


# Focus: Access the right building blocks





# Leverage off research team



OMIGSA IRIS and Holt

- Centralized platform
- Consistent framework
- Data

Company Model

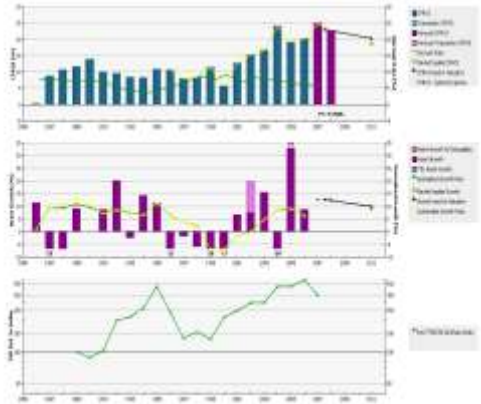
- Forward looking
- Global comparison

Industry Research

- Fundamentals
- Analysts cover sectors for consistency

Company Level Research

- Financial analysis
- Consistent country inputs

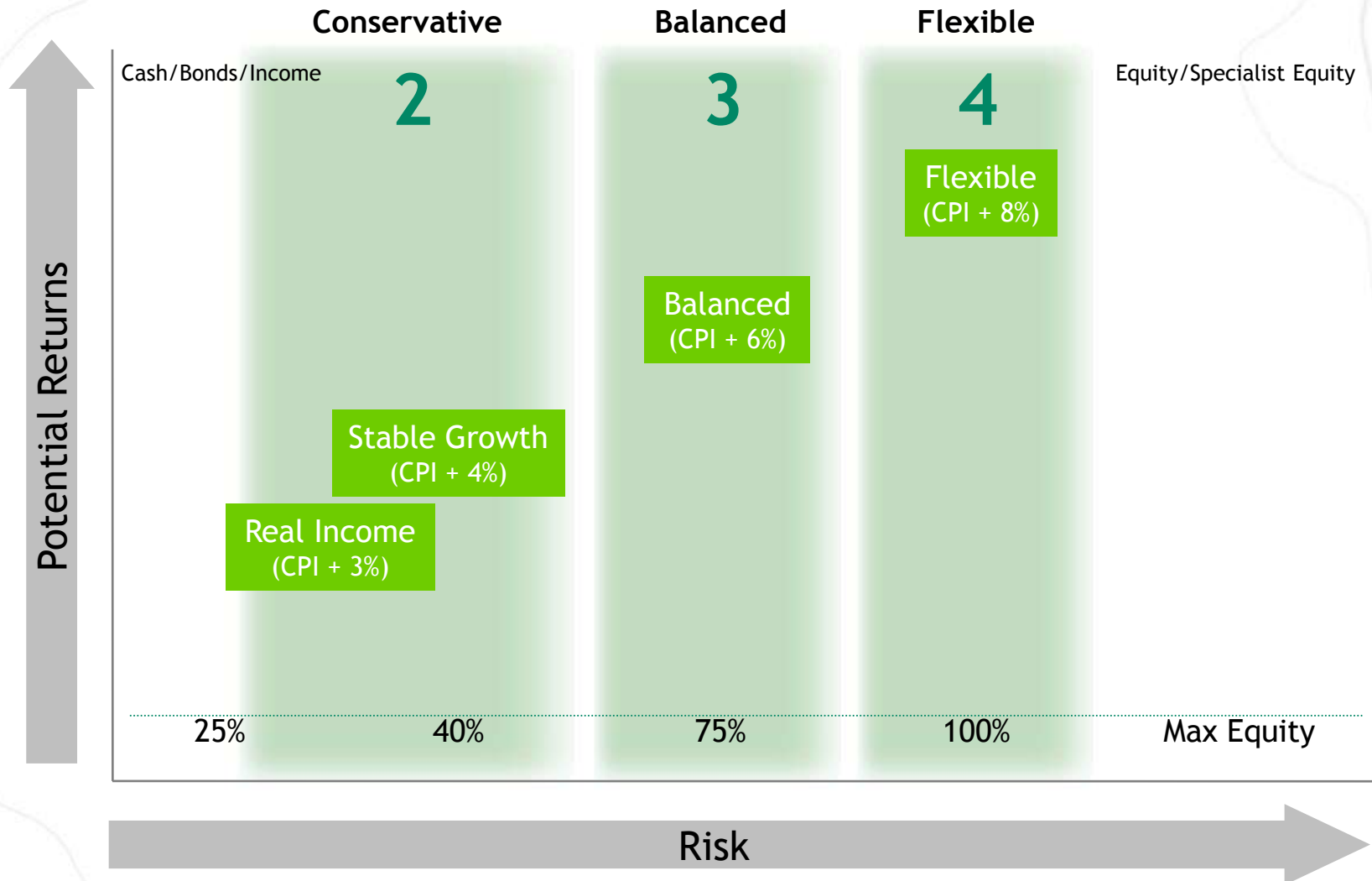




# Our Solutions



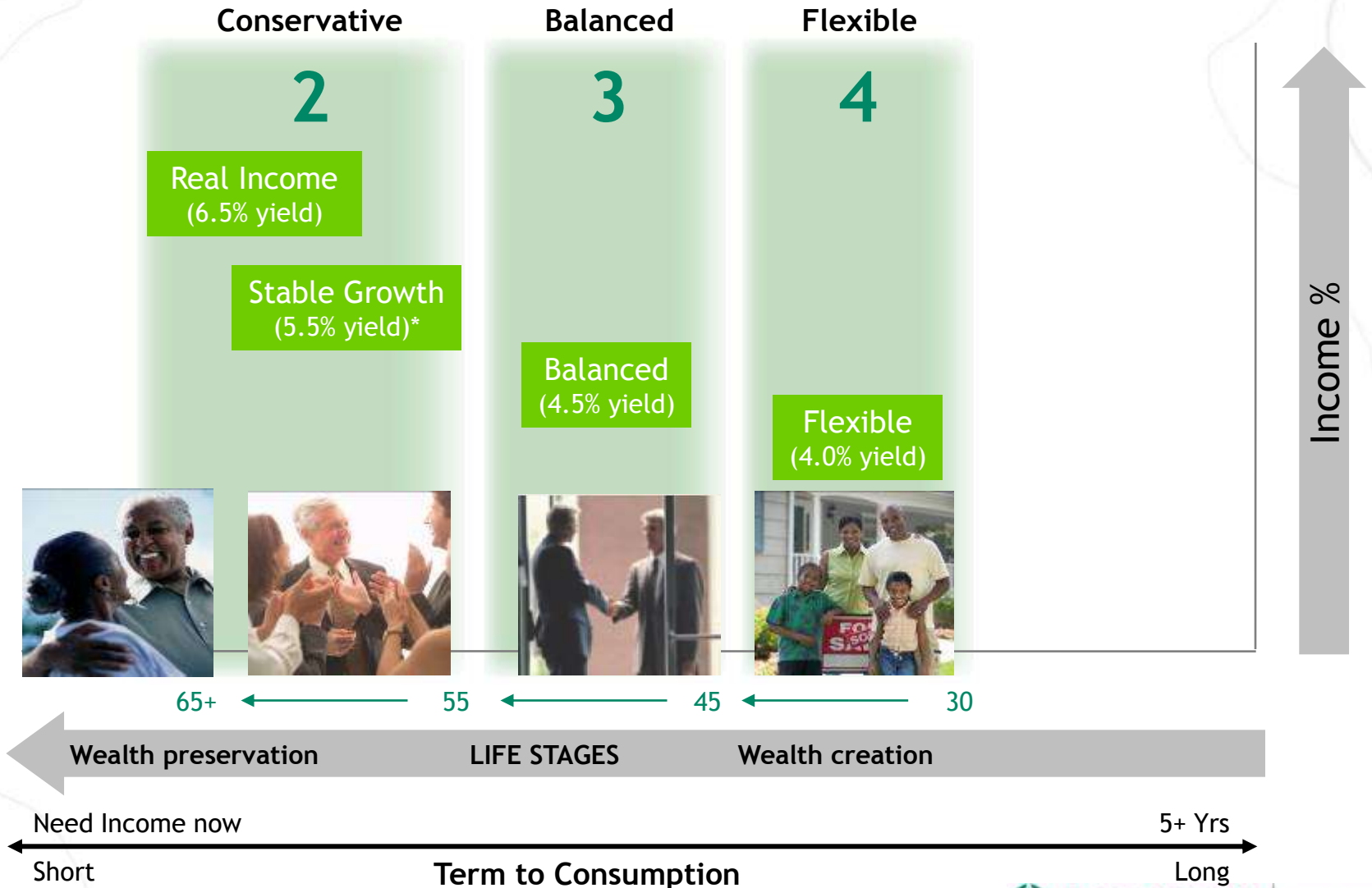
# Optimal Solutions across the Risk/Return Spectrum



\* Expected real returns in the Medium Term  
Real return is the target on a rolling 3-year basis, gross of fees



# Life Stages - Income vs Time Line



\* Note: These represent the estimated 3-year forward yields on investments made now. Income from international assets have been ignored. In the short term, yields for the Balanced and Flexible Funds are likely to be lower.



# Long-term asset allocation view

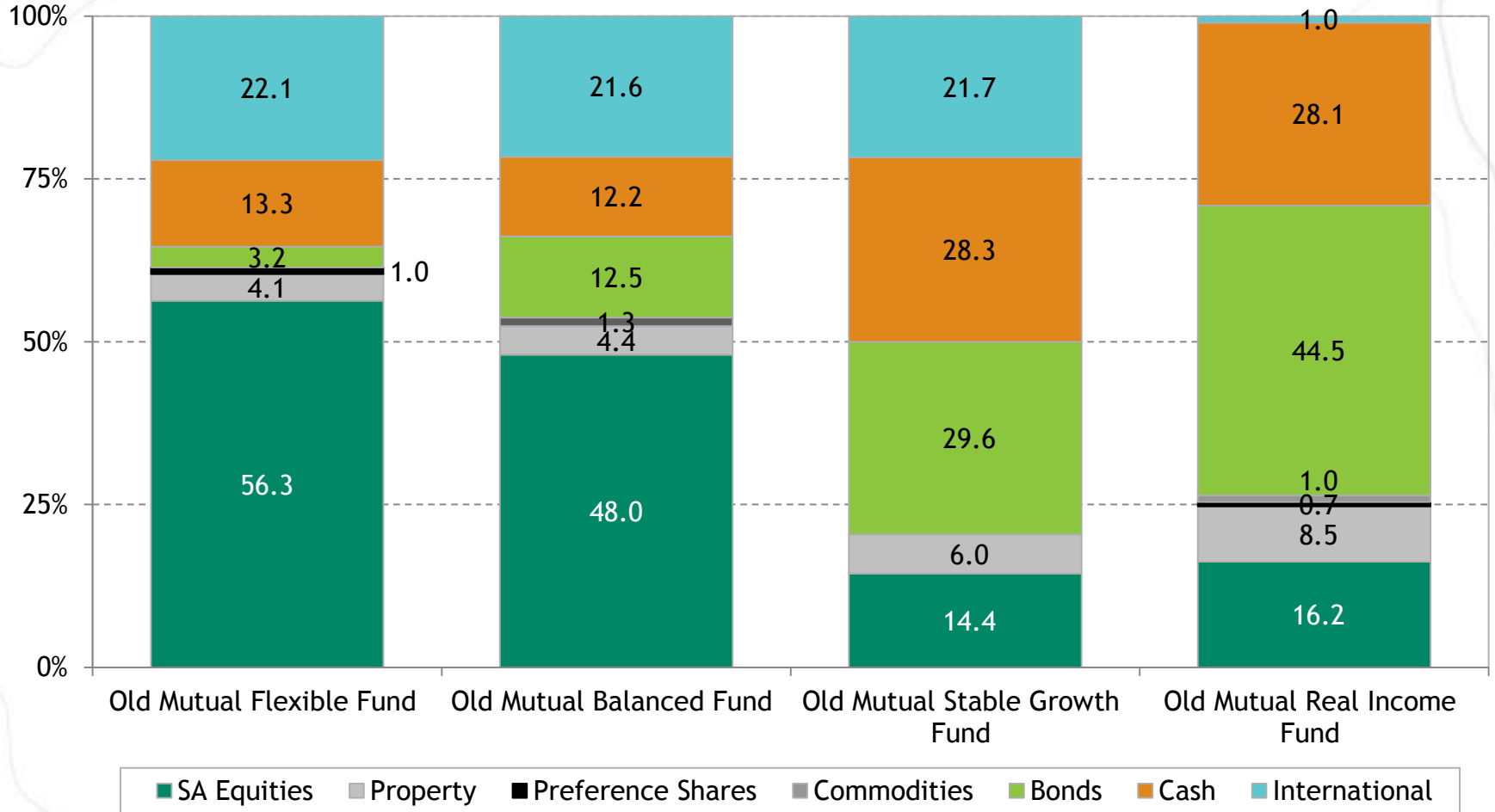
	Real return	View	Comment
<b>SA</b>		<b>N</b>	Limited further support from rand
Equity	6.5%	<b>N+</b>	In line with long-term returns; biased to upside
Property	5.5%	<b>N</b>	Good yield offset by negative reversion risk
Bonds	2.5%	<b>N+</b>	Attractive carry vs. cash and improving tactical outlook
Cash	1.5%	<b>-</b>	Lower rates for longer means lower returns
<b>International*</b>		<b>N</b>	Diversification is valuable
Equity	6.5%	<b>+</b>	Preferred risk-adjusted asset class
Bonds	-1.0%	<b>-</b>	Expensive, with a growing risk of capital loss
Cash	-1.0%	<b>-</b>	Cash is still unattractive

NB: These are long-term, real returns expected over the next five years, as at 11 January 2012

\* The international return expectations above are in US Dollar terms; any rand depreciation will add to returns in rands.



# Asset Analysis as at 31.03.12



Source: OMIGSA



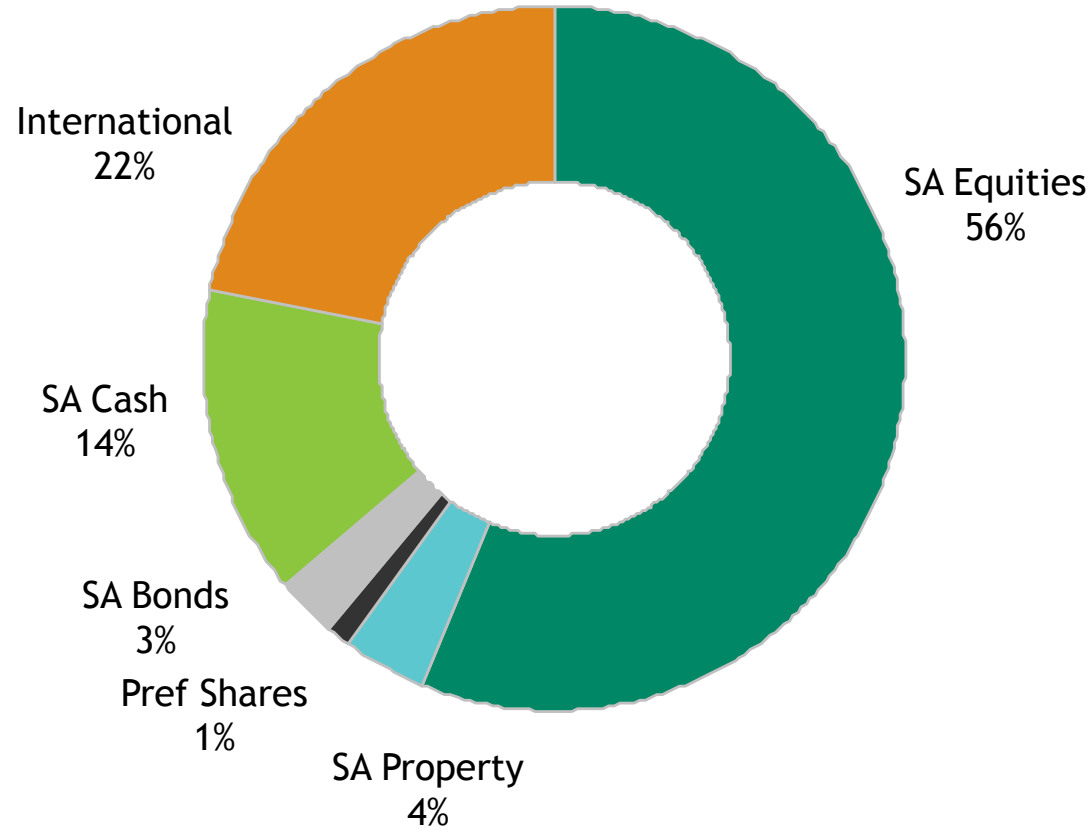
## OM Flexible Fund

- Objective - long term capital growth
- Investment universe
  - Local and offshore cash, bonds, property and equity
  - Flexible mandate, no limitations or default asset allocation
  - No short term capital preservation bias
- Ideal for investor who requires a diversified growth solution with active asset allocation within the fund





# Old Mutual Flexible Fund as at 31.03.12



Source: OMIGSA



# Old Mutual Flexible Fund

Fund Objective	
Performance target	CPI + 8% (gross)
Risk Rating	4 - Moderately Aggressive
Manager	Peter Brooke - Macro Strategy Investments
Underlying assets	Equities (Neutral 75%); Property; Offshore (0%-25%); Bonds; Cash
Who should invest?	Investors seeking high long term capital growth with some protection against short term fluctuations
Investment Term	5 Years +
TER	2.52%

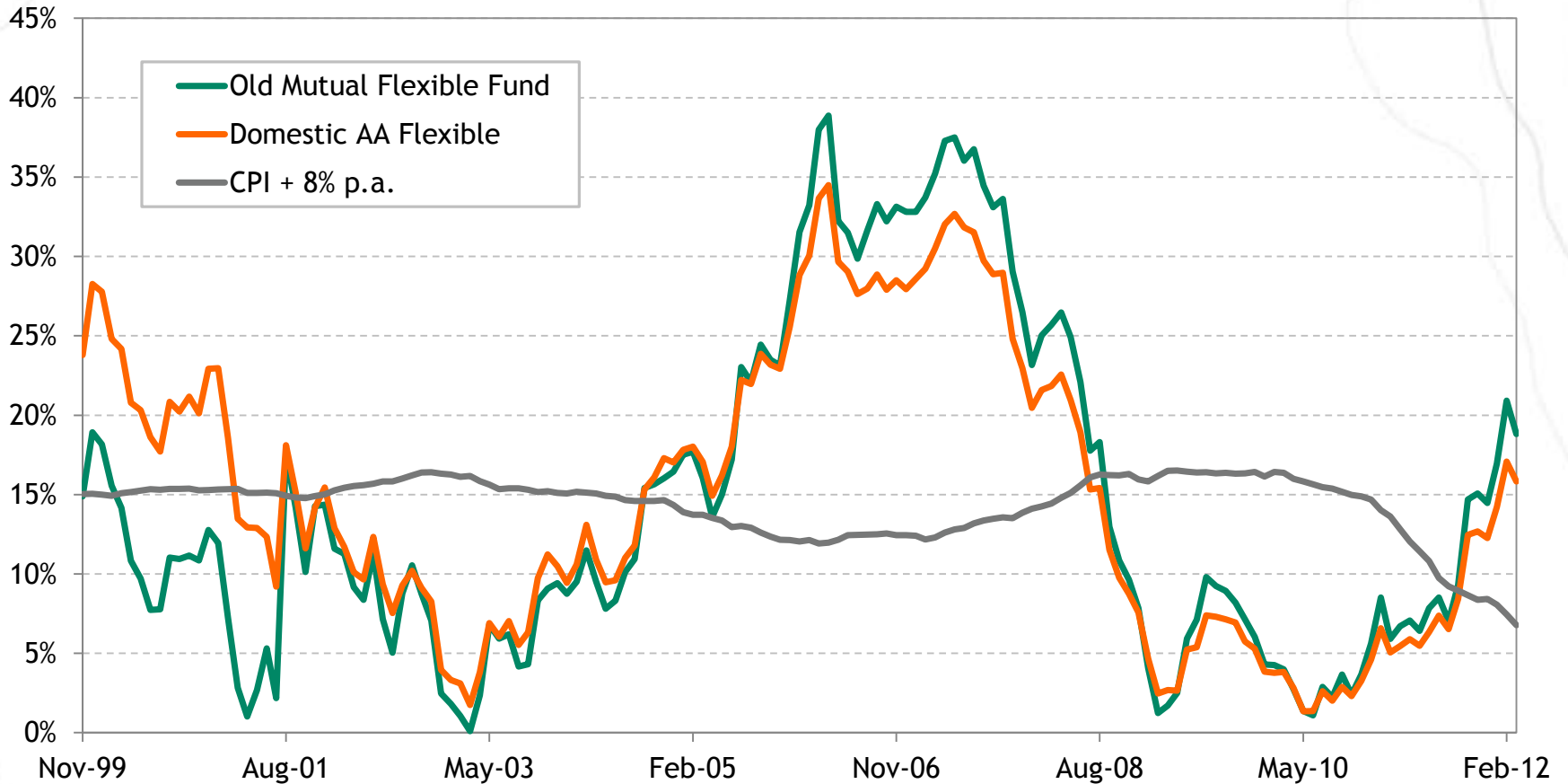
Risk Stats	Fund	JSE	ALBI
Standard Deviation (3 Yrs)	9.8%	15.1%	5.5%
Standard Deviation (5 Yrs)	13.0%	18.6%	7.5%

Fee Hurdle: CPI + 4% (15% sharing rate)



# OM Flexible vs Category Average and Performance Target

## Rolling 3 Year Returns to 31.03.12

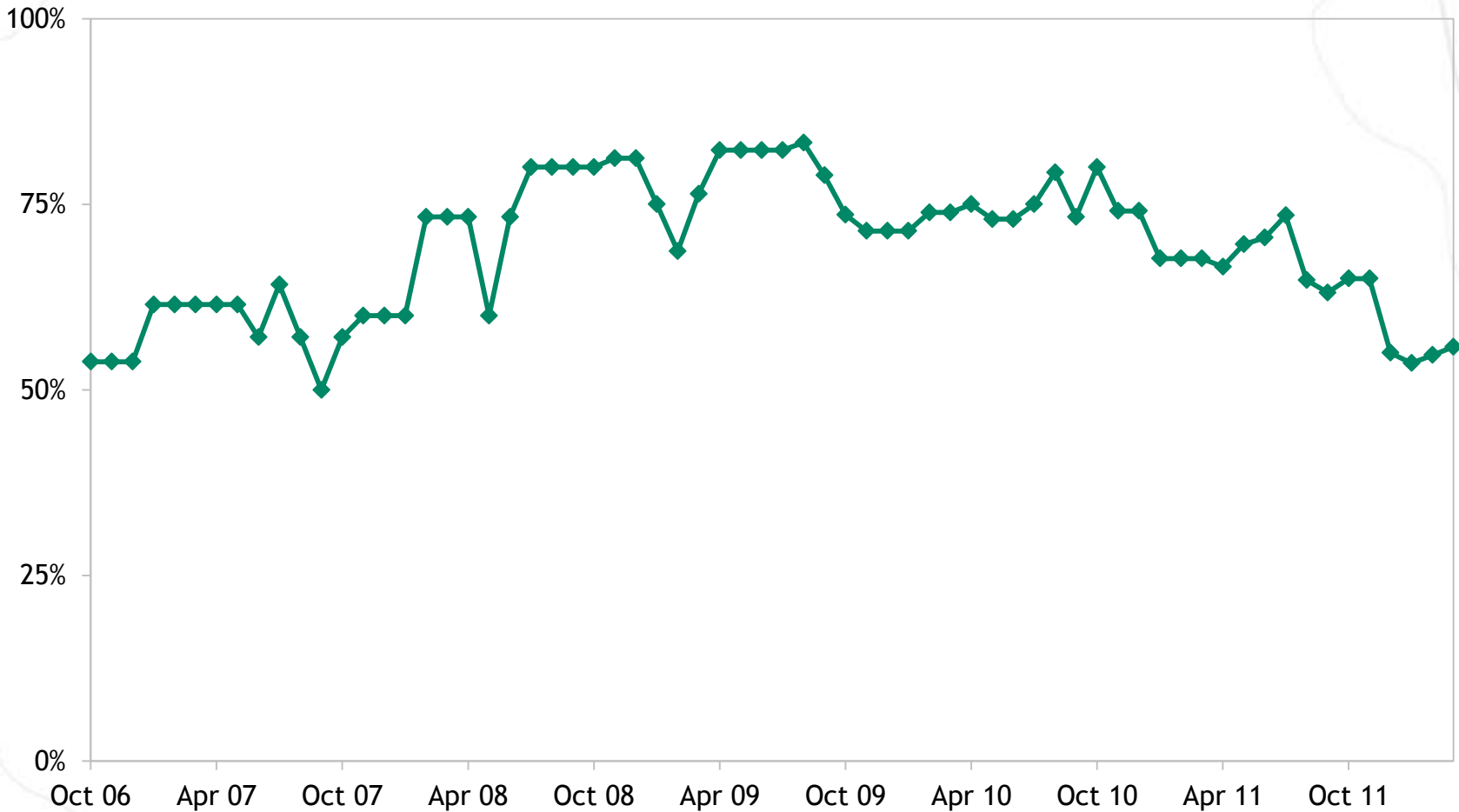


Source: Morningstar



# Old Mutual Flexible Fund

## 5 Year Rolling Percentile Rank vs Domestic AA Flexible Category to 31.03.12



Source: Morningstar



# Old Mutual Balanced Fund

Fund Objective	
Performance target	CPI + 6% (gross)
Risk Rating	3 - Moderate
Manager	Anil Thakersee - Macro Strategy Investments
Underlying assets	Equities (Neutral 65%); Property; Offshore (0%-25%); Bonds; Cash
Who should invest?	Investors seeking moderate to high long term growth, with less volatility than pure equity
Investment Term	3 years +
TER	2.44%

Risk Stats	Fund	JSE	ALBI
Standard Deviation (3 Yrs)	8.1%	15.1%	5.5%
Standard Deviation (5 Yrs)	11.2%	18.6%	7.5%

Fee Hurdle: CPI + 2% (15% sharing rate)



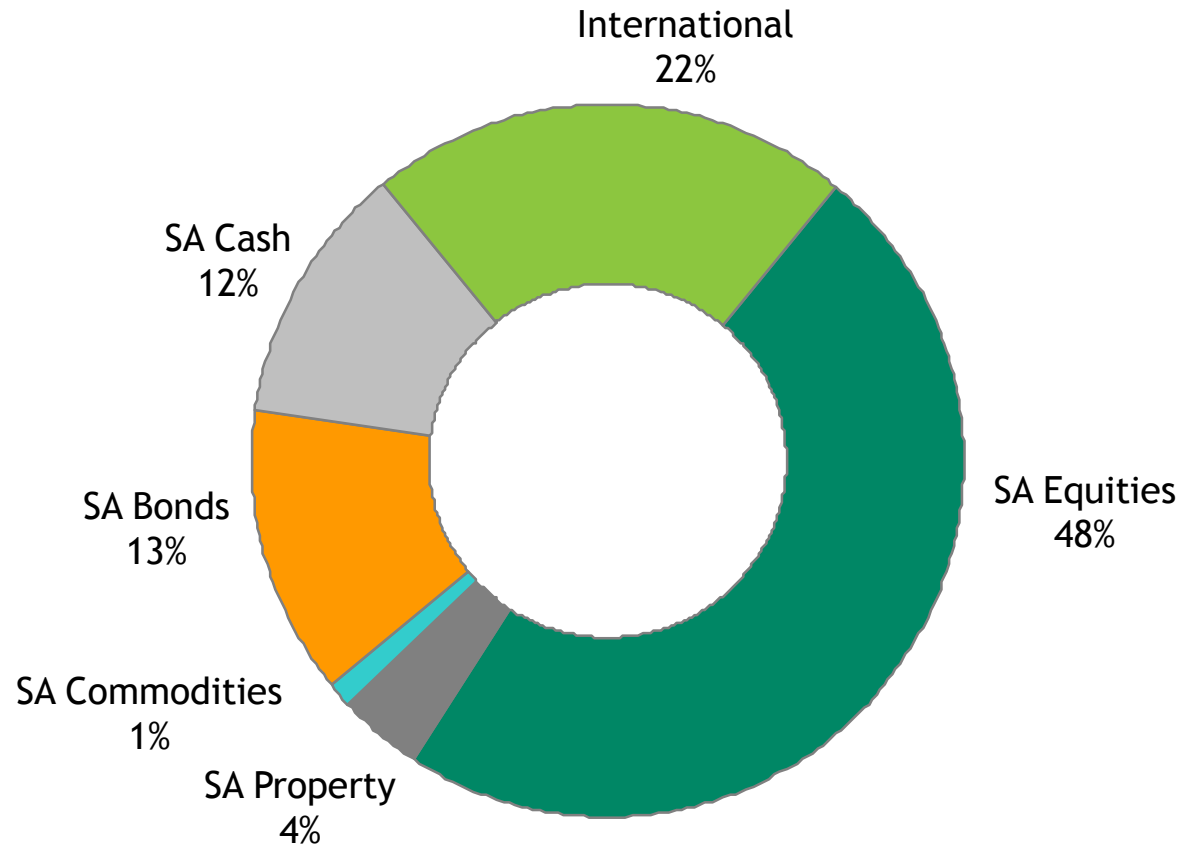
## OM Balanced Fund

- Objective - long term capital growth, low income
- Investment universe
  - Local and offshore cash, bonds, property and equity
  - Typical balanced fund asset allocation, maximum of 75% and minimum of 55% in equities, no aggressive tactical shifts in asset allocation
  - No short term capital preservation bias
- Ideal for investors who require a diversified growth solution with exposure to all asset classes



# Old Mutual Balanced Fund

## Effective Exposure as at 31.03.12



Well diversified; small positive bias to growth



# Old Mutual Stable Growth Fund

Fund Objective	
Performance target	CPI + 4% (gross) over rolling 3-years
Risk Rating	2 - Moderately Conservative
Manager	Peter Brooke - Macro Strategy Investments
Underlying assets	Equities (10%-40%); Property (0%-15%); Offshore (0%-25%); Bonds; Cash;
Who should invest?	Investors seeking growth in real terms with moderate income
Investment Term	3 years +
TER	2.22%

Risk Stats	Fund	JSE	ALBI
Standard Deviation (3 Yrs)	4.2%	15.1%	5.5%
% Positive 18-month return	94.6%	73%	100%

Fee Hurdle: CPI + 1% (15% sharing rate)



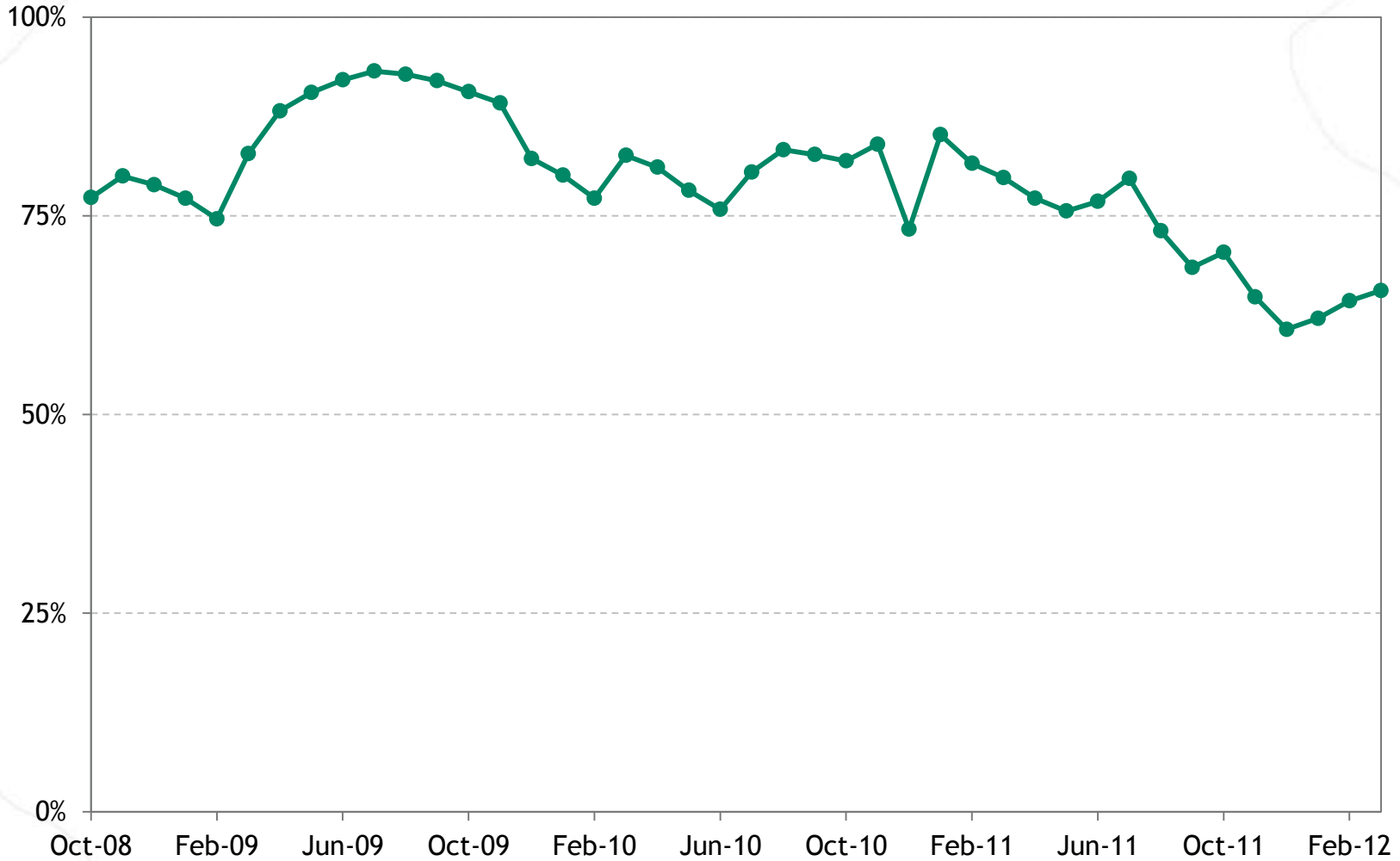
# OM Stable Growth Fund

- Objective - moderate long term capital growth (CPI+3% p.a.) with stability over shorter periods in that the fund aims to limit losses over any 18 month period
- Investment universe
  - Local and offshore cash, bonds, property and equity
  - Flexible mandate but low in equity (40% and less - equity exposure will mostly be between 25% and 40%)
  - Short term (18 months) capital preservation bias
- Ideal for investor who requires a stable diversified growth solution with a moderate level of income



# Optimised Defensive

## 5 Year Rolling Percentile Rank to 31.03.12 (Low Equity)



Source: Morningstar & OMGSA



# Old Mutual Real Income Fund

Fund Objective	
Performance target	CPI + 3% (gross)
Risk Rating	2 - Moderately Conservative
Manager	Peter Brooke - Macro Strategy Investments
Underlying assets	Equities and Property (Max 35% combined); Bonds; Cash
Who should invest?	Investors seeking inflation matching growth in come, and willing to start at lower initial income level - aims to avoid losses over 12-months
Investment Term	2 Years +
TER	1.38%

Risk Stats	Fund	JSE	ALBI
Standard Deviation (3 Yrs)	2.5%	15.1%	5.5%
% Positive 12-month return	100%	83.8%	97.3%

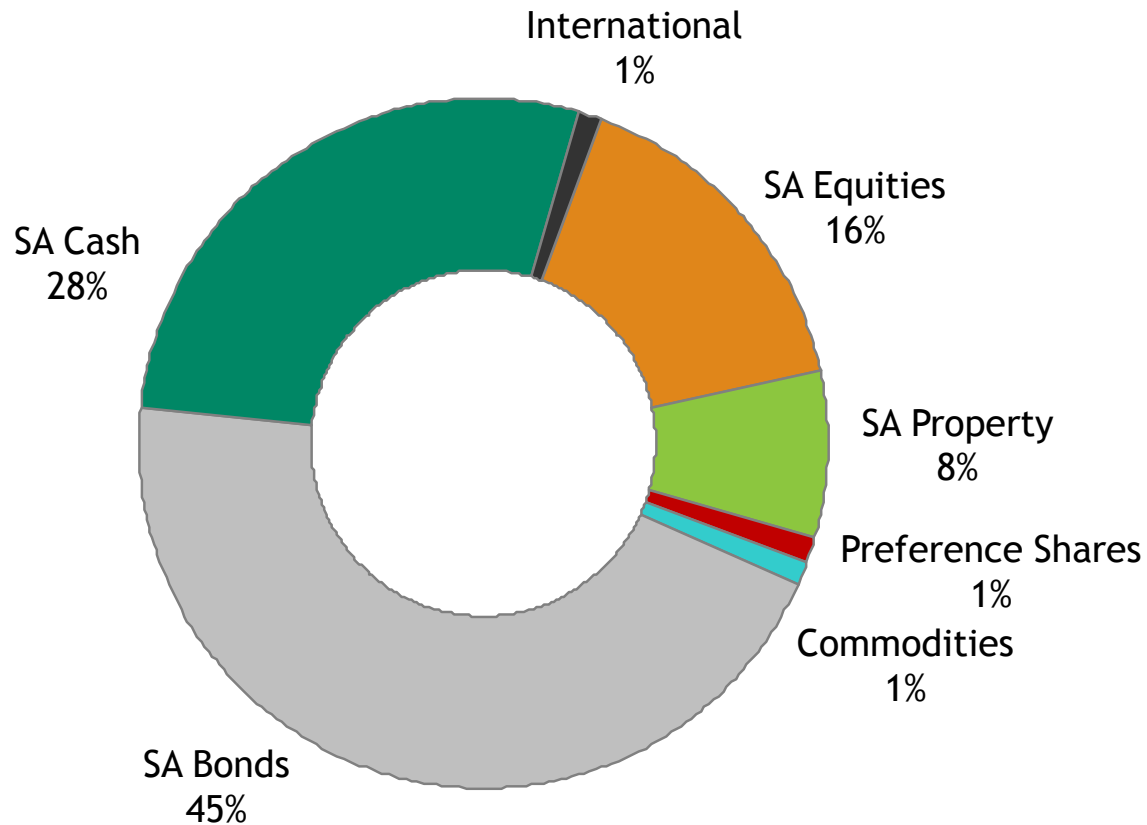


# OM Real Income Fund

- Objective - to provide a complete income solution, i.e. an income that increases to combat the eroding effect of inflation while maintaining relative capital stability
- Investment universe
  - Local and offshore cash, bonds, property and equity
  - Flexible mandate, low in equity (35% max property and equity combined)
  - Short term (12 months) capital preservation bias
- Ideal for investors who require a lower initial income stream but one that grows in time while capital values remain relatively stable



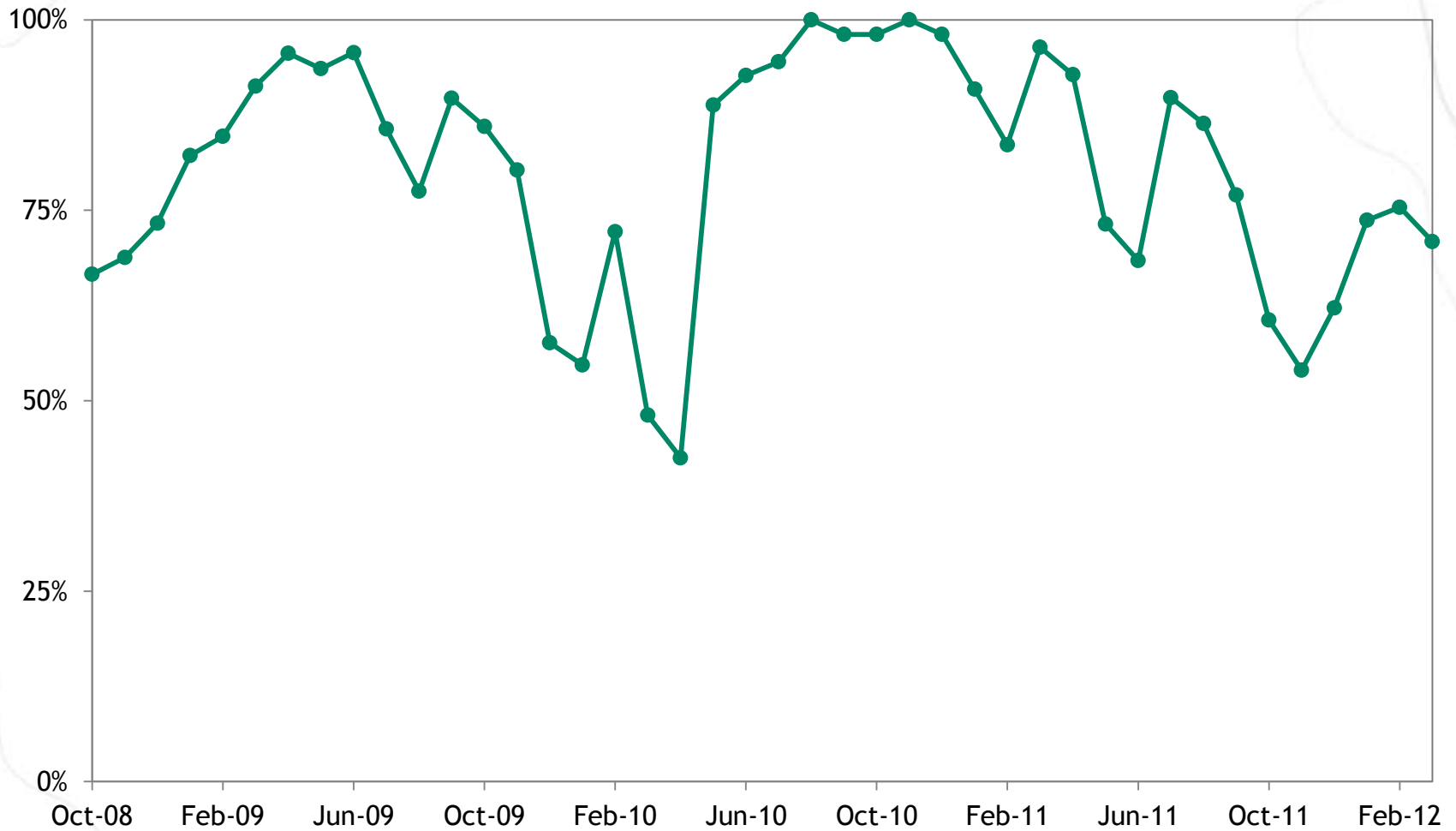
# OM Real Income as at 31.03.12





# Old Mutual Real Income

## 1 Year Rolling Percentile Rank to 31.03.12 (Low Equity)



Source: Morningstar



# Old Mutual Real Income Fund

## Relative to Sector & ALSI

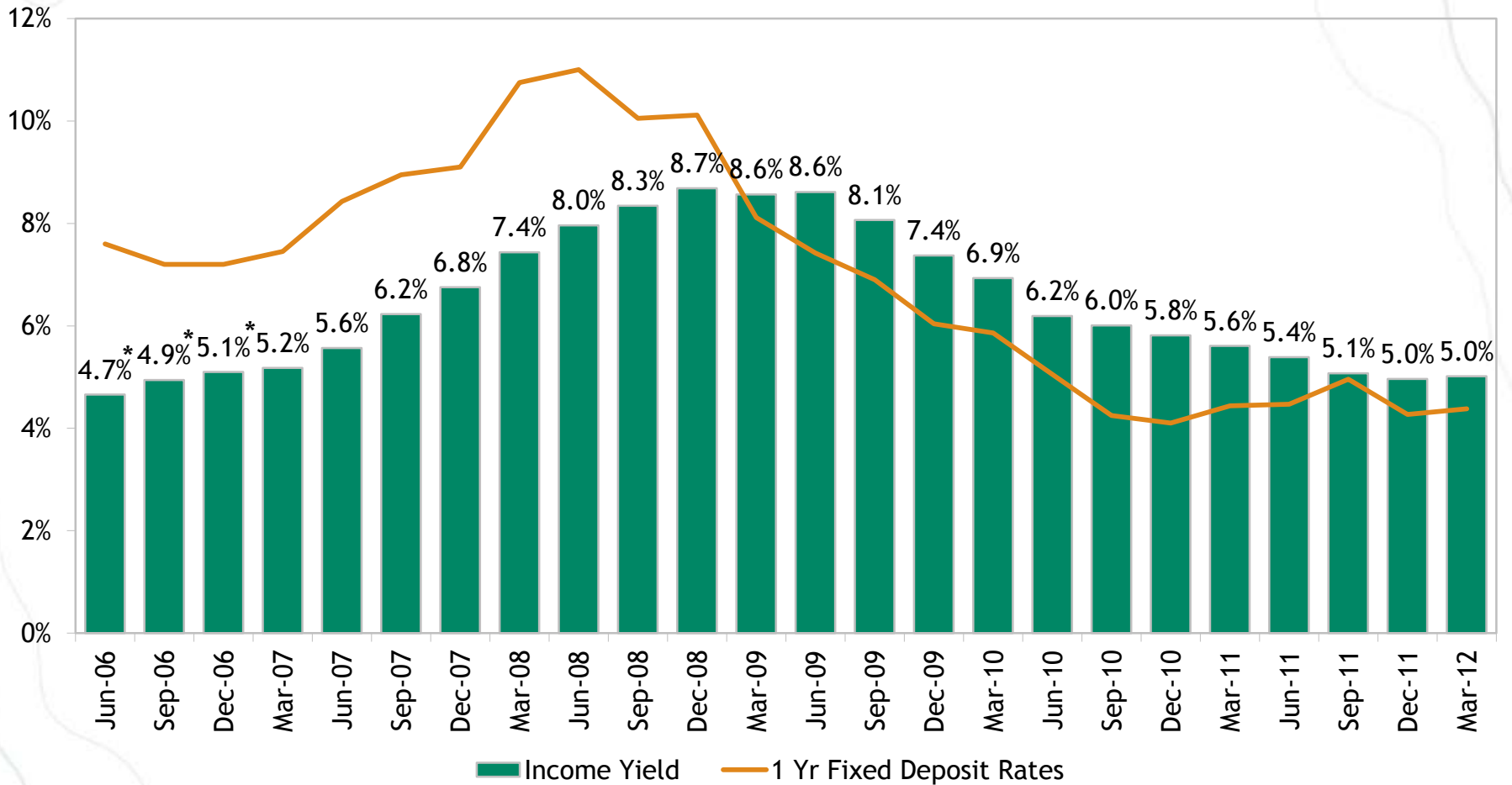
1 Year Rolling returns	Old Mutual Real Income	(ASISA) Dom AA Prudential Low Equity	FTSE/JSE All Share
Highest	15.4%	16.7%	48.3%
Lowest	-0.7%	-3.3%	-37.6%
% Positive Months	79.2%	73.0%	61.1%
Max Drawdown	-3.6%	-5.9%	-40.4%
Max Drawdown number of months	8	n/a	9

Source: Morningstar  
As at 31.03.12



# A clear focus on income

Income yield: \* quarterly dividend payment annualised and based on initial investment

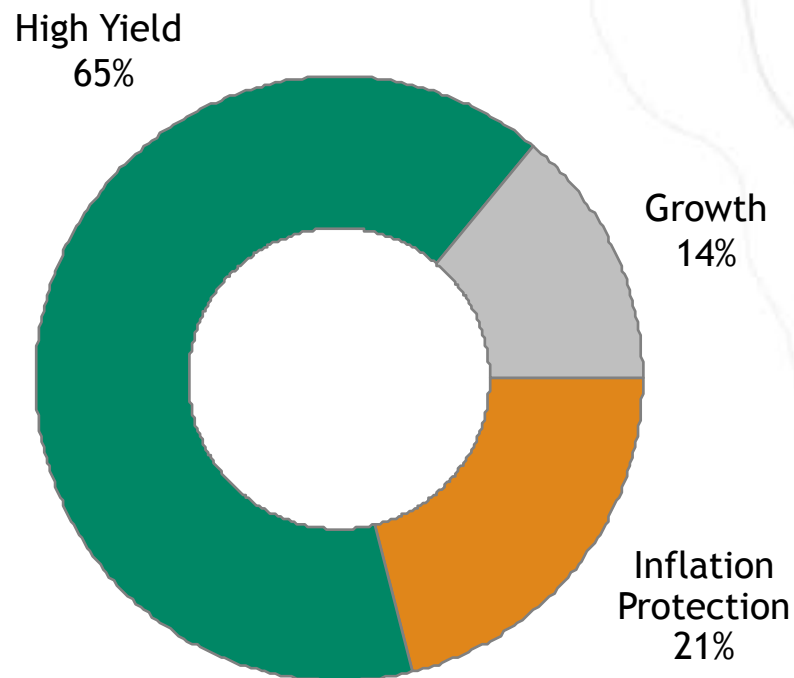


Source: Morningstar



# Equity

- Concentrated equity portfolio
- Shares are picked for
  - Inflation protection
  - Yield
  - Growth
- High yield share fwd DY 7.9%





# Regulatory Information

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

Physical Address: Mutualpark, Jan Smuts Drive, Pinelands, 7405

Telephone number: +27 21 509 5022

Old Mutual Investment Group (South Africa) (Pty) Limited is a licensed financial services provider, FSP 604, approved by the Registrar of Financial Services Providers ([www.fsb.co.za](http://www.fsb.co.za)) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. Old Mutual Investment Group is a wholly owned subsidiary of Old Mutual (South Africa) Limited. Reg No 1993/003023/07.

The investment portfolios may be market-linked or policy based. Investors' rights and obligations are set out in the relevant contracts. Market fluctuations and changes in rates of exchange or taxation may have an effect on the value, price or income of investments. Since the performance of financial markets fluctuates, an investor may not get back the full amount invested. Past performance is not necessarily a guide to future investment performance.

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](http://www.omigsa.com).