



# Standard Fixed Interest Presentation

March 2012 updates



# Why choose Futuregrowth Asset Management?

**We are a leading investment manager that delivers consistent and reliable returns by investing in a responsible manner that enriches the lives of our clients, investors and South Africans through returns that really matter.**

# What we do?

- | We specialise in domestic fixed income and socially responsible investments, providing access to investments such as money market instruments, government and non-government bonds, listed property and preference shares
- | Our team manages funds across the full fixed income range with special expertise in corporate (non-government) bonds

## What makes us different?

- | Fixed Income Specialists
- | Depth of skill
  - 19 investment professionals
- | Bargaining power
  - established relationships with debt originators

# Fixed Income Investments

| Philosophy

**Independent approach**, with high conviction management.

| People

**Passionate fixed income money managers** (Access to wider OMIGSA)

| Process

**Not swayed** by noise & volatility

| Performance

**Solid performance track record creates wealth** for investors

| Products

Provide **solutions** to suit the risk profile

# Fixed Income Range

Fund	Benchmark	Objective	Capital Protection Aim	Risk Rating	Investment Term
Old Mutual Money Market Fund	STeFI	Deliver regular income and out perform bank deposits over time.	No negative Months. Average weighted duration is 90 days.	1	1 Year +
Old Mutual Interest Plus Fund	STeFI + 0.75%	Deliver returns in excess of money market funds without significantly more risk .	No negative months. Average weighted duration is 365 days.	1	1 Year +
Old Mutual Income Fund	80% STeFI 20% ALBI	Pay a higher income and achieve a higher return than money market funds.	No negative Quarters. Average weighted duration is 2 years.	1	1 Year +
Old Mutual Enhanced Income Fund	110% STeFI Call Deposit Index	Outperform money market and income funds over time.	No negative 6 months. No duration constraint.	2	2 Years +
Old Mutual Real Income Fund	CPI	Provide an income growing in line with inflation	No negative 12 months	2	3 Years +

# Old Mutual Interest Plus Fund

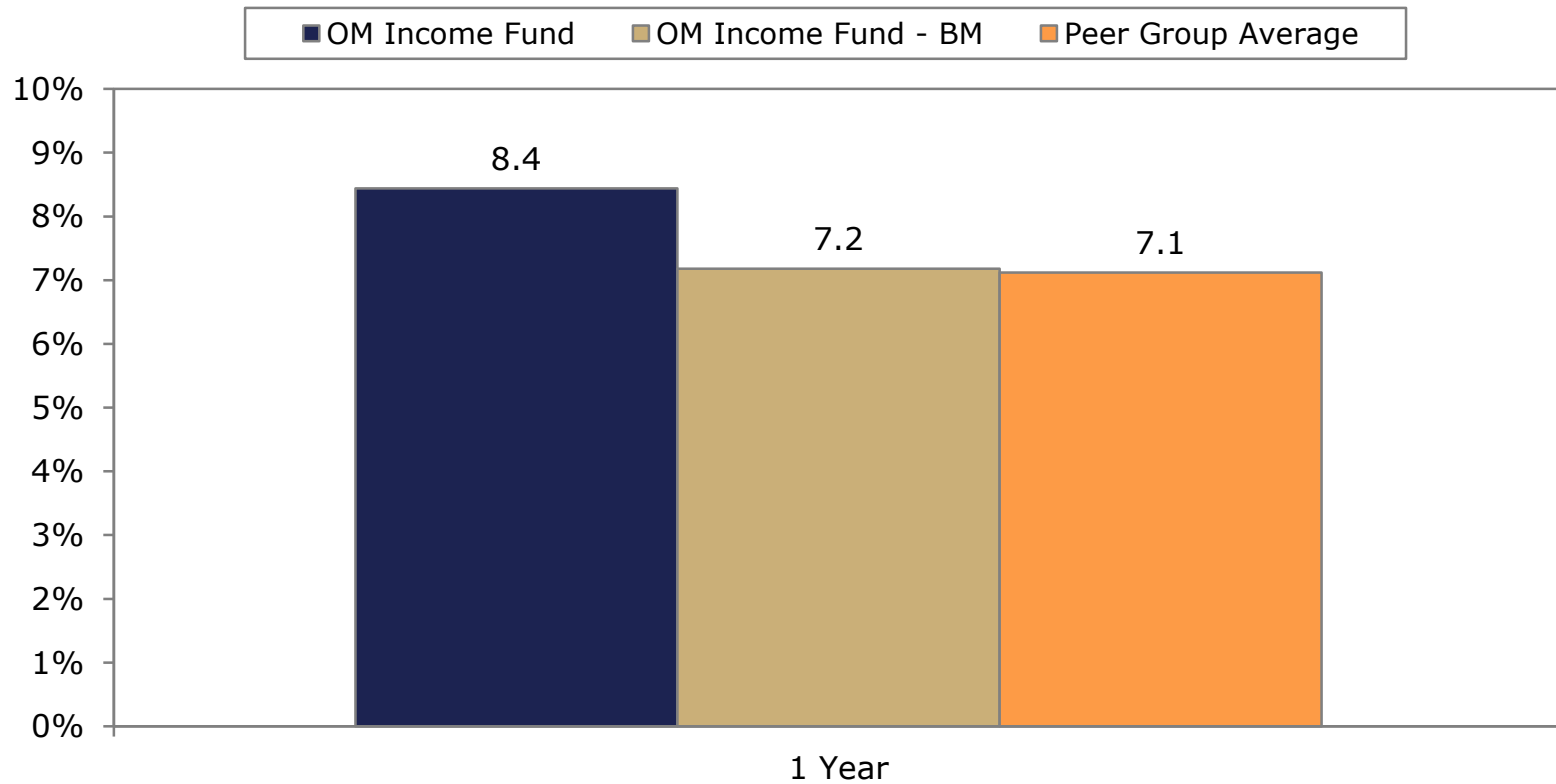
Fund Objective	
Performance target	STeFI + 0.75% over rolling one-year periods
Risk Rating	1 – Conservative
Manager	Michael van Rensburg - Futuregrowth
Underlying assets	Money Market Instruments and Bonds. Maximum average weighted duration of 365 days.
Who should invest?	Risk-averse investors with a short-term investment horizon, requiring yields in excess of those on money market s. Require high liquidity from their investments and cannot tolerate high risk associated with income funds.
Investment Term	1 Years +
TER	To be published 12 months from launch date

# Old Mutual Income Fund

Fund Objective	
Performance target	80% STeFi Composite Index / 20% ALBI (Maximum 2 Year Duration)
Risk Rating	1 – Conservative
Fund Manager	Jenny Sheehy - Futuregrowth
Underlying assets	Cash; Money market instruments; Bonds
Who should invest?	Investors seeking higher level of income than money market funds with relative capital stability
Investment Term	1 year +
TER	0.86%

# Income vs. BM and Peer Average

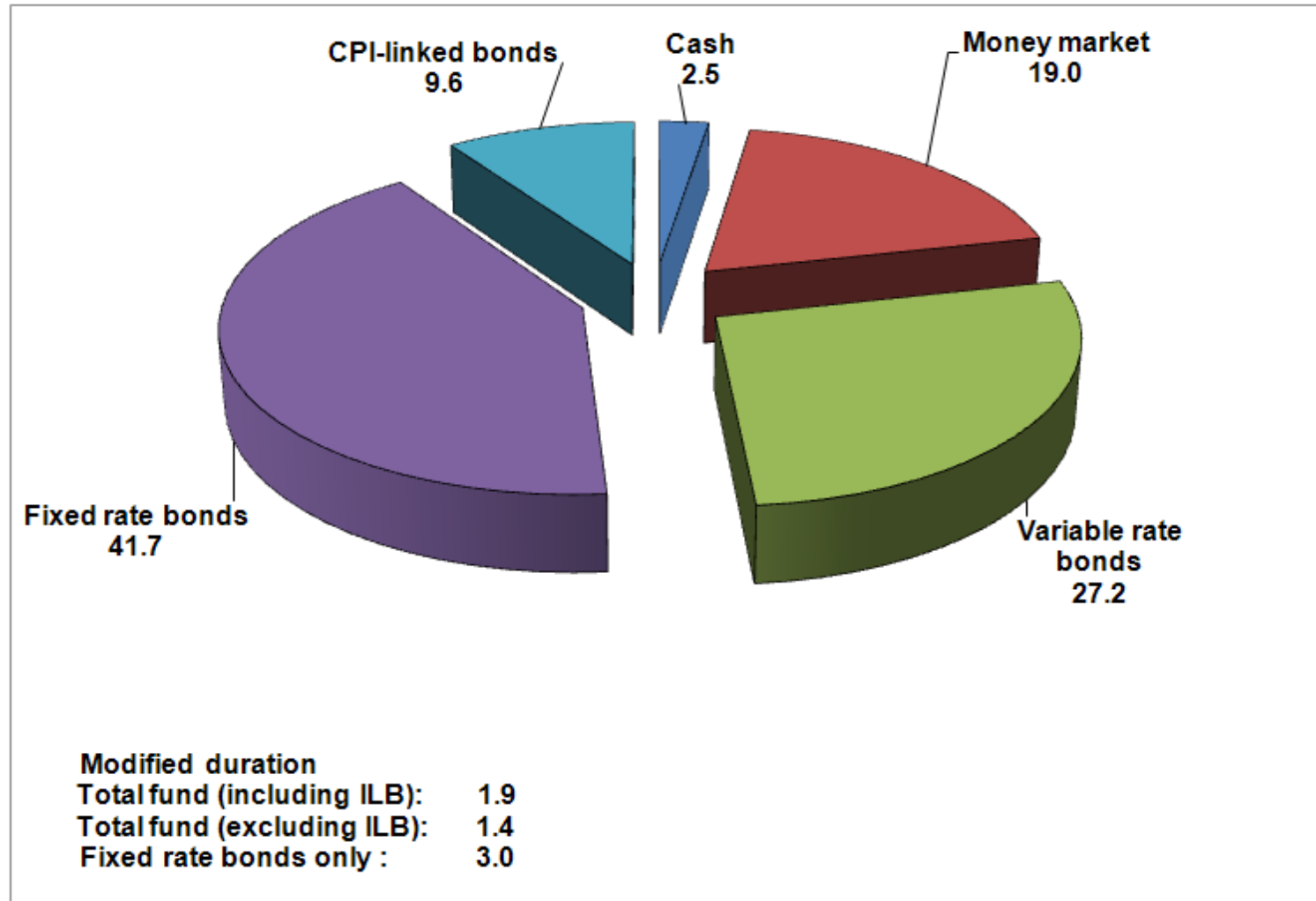
Periods ending 31.03.12



Note: Peer Group: Domestic FI Income Returns: Nett of Fees & annualised

# Income fund structure

as at 31.03.12



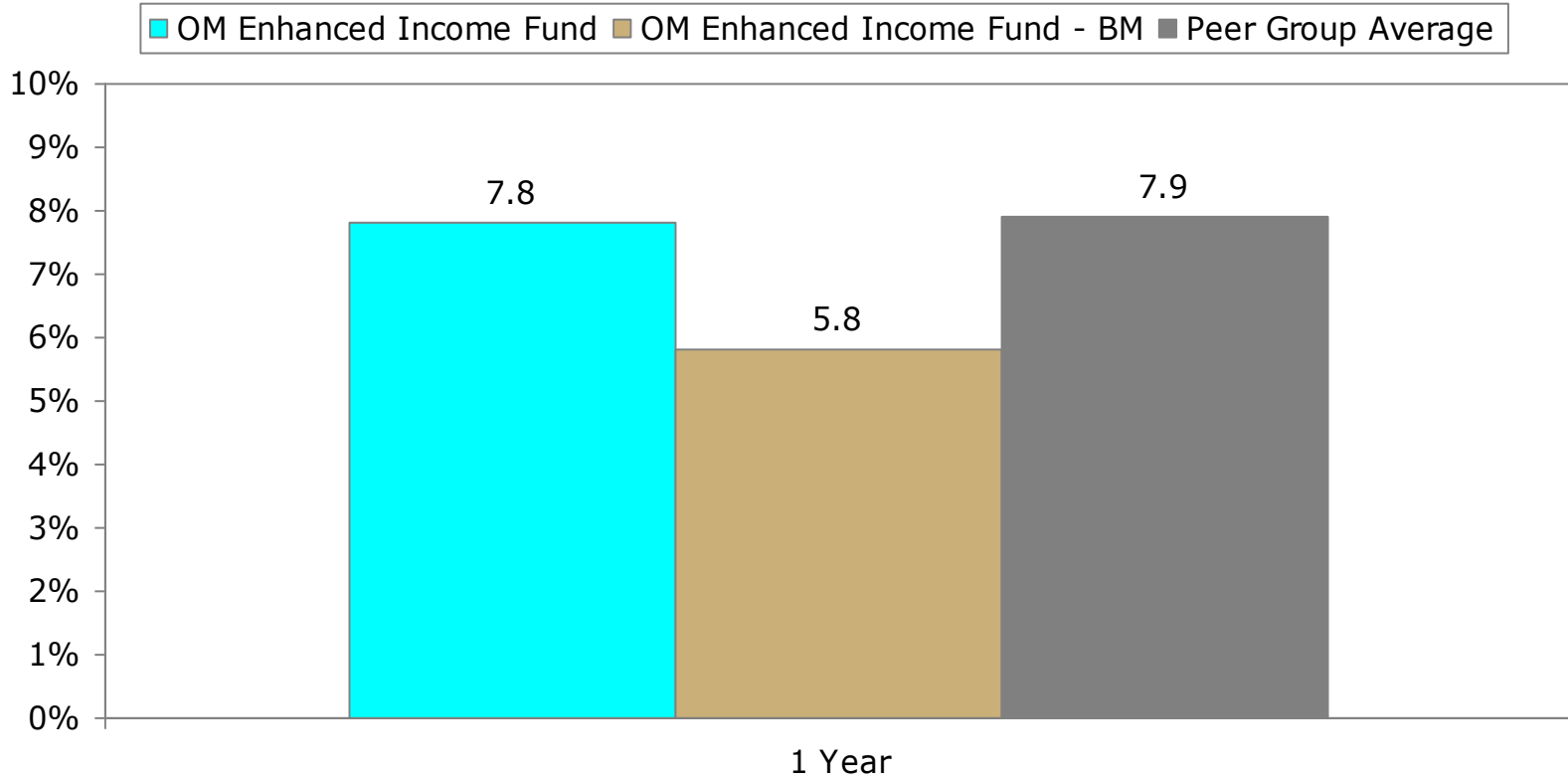
# Old Mutual Enhanced Income Fund

Fund Objective	
Performance target	110% STeFI (No Duration Constraint)
Risk Rating	2 – Moderately Conservative
Fund Manager	Wikus Furstenberg - Futuregrowth
Underlying assets	Cash; Government Bonds; Corporate Bonds; Floating Rate Instruments; Preference Shares
Who should invest?	Investors seeking higher income and returns than money markets over time
Investment Term	1 year +
TER	1.14%

Risk Stats	Fund	ALBI
Modified Duration	1.76	5.78
Standard Deviation (3 Yrs)	1.2%	4.9%
% Positive 6-month return	97.7%	83.0%

# Enhanced Income vs. BM and Peer Average

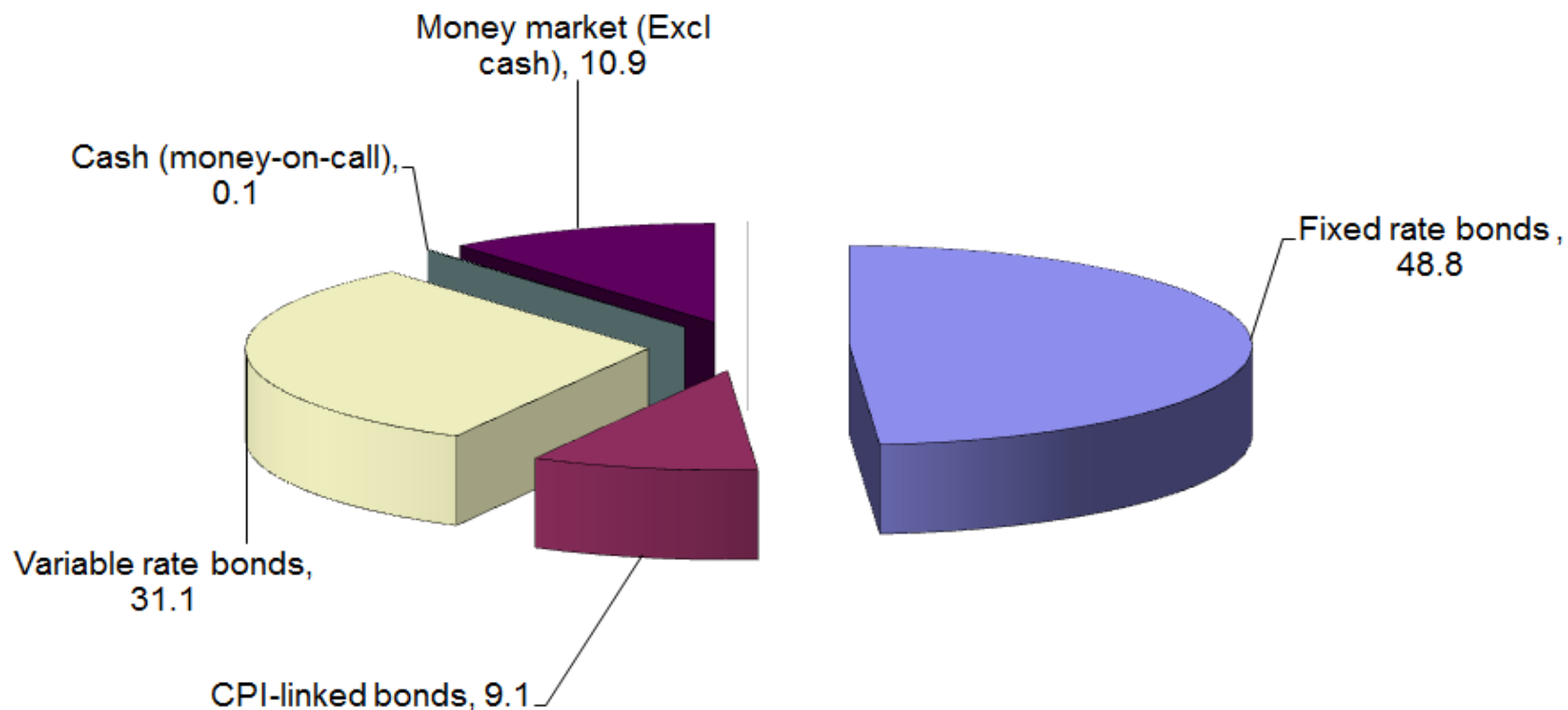
Periods ending 31.03.12



Note: Peer Group: Domestic FI Varied Specialist  
Returns: Nett of Fees & annualised

# Enhanced Income Fund structure

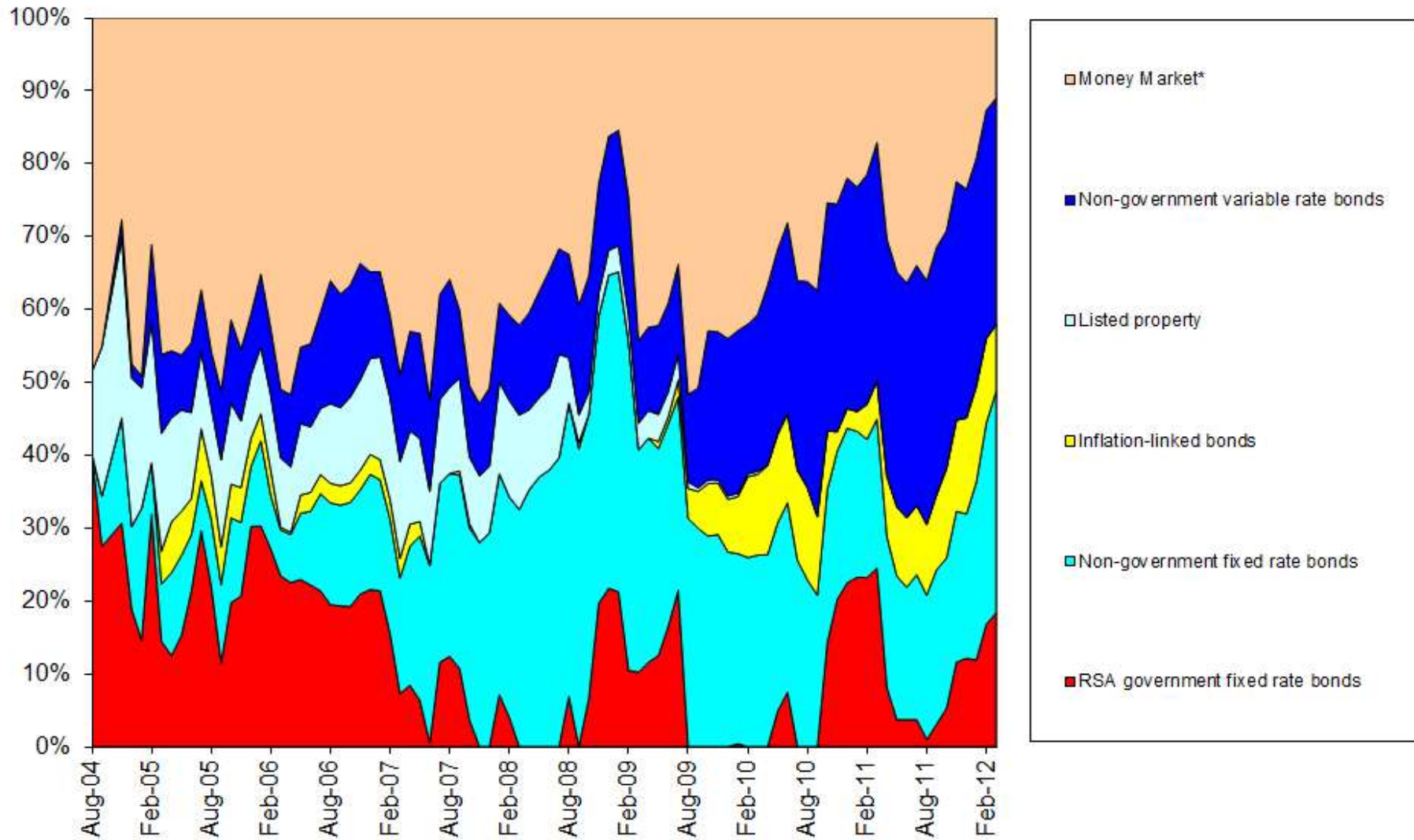
as at 31.03.12



## Modified duration:

Total fund (including ILB):	2.4
Total fund (excluding ILB):	1.8
Fixed rate bonds only:	4.3

# Enhanced Income Fund structure - rolling



# Allocation changes

Asset holding	30-Mar-12	29-Feb-12	31-Jan-12	31-Dec-11	30-Nov-11	31-Oct-11
RSA government fixed rate bonds	18.4%	16.8%	11.9%	12.1%	11.6%	5.3%
Non-government fixed rate bonds	30.4%	27.6%	24.4%	19.8%	20.7%	20.6%
Non-government variable rate bonds	31.1%	31.3%	31.2%	31.4%	32.7%	32.6%
Inflation-linked bonds	9.1%	11.6%	13.2%	13.2%	12.5%	12.3%
Listed property	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Preference shares	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Money Market*	11.0%	12.7%	19.3%	23.5%	22.5%	29.2%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\* Includes cash, NCD's and JIBAR-linked bank instruments (floating rate) with a term to maturity of less than one year

Bond component maturity spread	30-Mar-12	29-Feb-12	31-Jan-12	31-Dec-11	30-Nov-11	31-Oct-11
0-1 years	19.4%	19.0%	21.0%	16.9%	15.8%	22.2%
1-3 years	26.2%	28.8%	30.1%	29.0%	31.4%	38.3%
3-7 years	35.5%	38.5%	47.0%	49.2%	25.3%	25.3%
7-12 years	1.0%	1.1%	1.9%	4.8%	27.5%	14.2%
12+ years	17.9%	12.5%	0.0%	0.0%	0.0%	0.0%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Modified duration	30-Mar-12	29-Feb-12	31-Jan-12	31-Dec-11	30-Nov-11	31-Oct-11
Bond component	<b>4.27</b>	<b>3.96</b>	<b>3.32</b>	<b>3.44</b>	<b>3.37</b>	<b>2.88</b>
Total portfolio including CPI-linked bonds	<b>2.35</b>	<b>2.36</b>	<b>2.05</b>	<b>1.98</b>	<b>1.95</b>	<b>1.79</b>
Total portfolio excluding CPI-linked bonds	<b>1.76</b>	<b>1.53</b>	<b>1.06</b>	<b>1.00</b>	<b>1.02</b>	<b>0.71</b>
All Bond Index	<b>5.78</b>	<b>5.78</b>	<b>5.84</b>	<b>5.79</b>	<b>5.77</b>	<b>5.87</b>

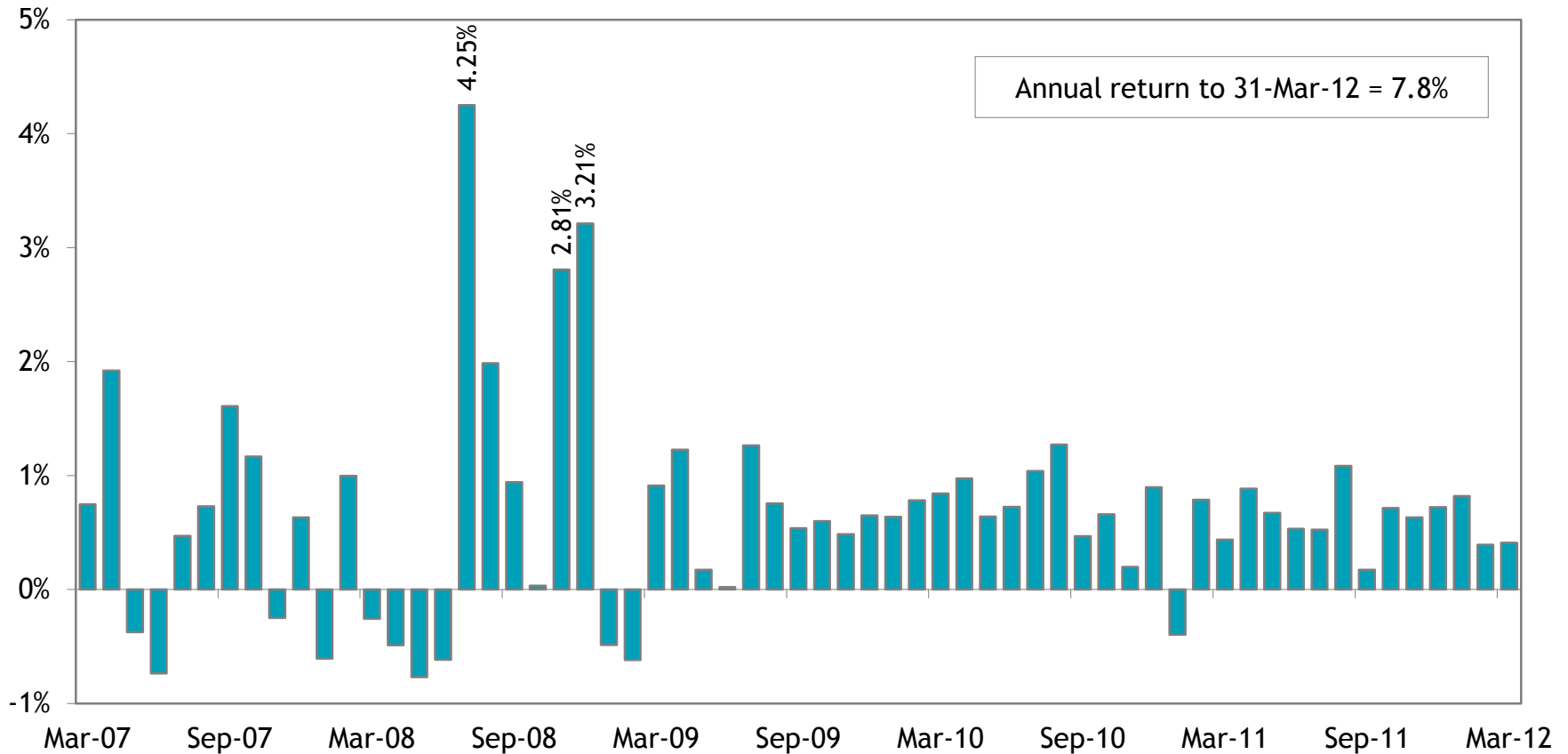
	30-Mar-12	29-Feb-12	31-Jan-12	31-Dec-11	30-Nov-11	31-Oct-11
Average yield of interest rate assets**	<b>7.09%</b>	<b>6.90%</b>	<b>6.59%</b>	<b>6.47%</b>	<b>6.68%</b>	<b>6.52%</b>

\*\* Includes the average real yield (1.9%) of the inflation-linked bond holding.

The average fund yield increases to 7.7% when adjusting the yield of CPI-linked bond holding by an inflation rate of 6.1%.

# Moderate capital and income volatility

## Monthly returns from inception



| Aim to limit negative returns to 3-months rolling

# Risk vs Return (last 5 years)

Fund Name	Maximum Price* Drawdown	Highest 12 month rolling return
OM Money Market Fund	0.0%	12.2
OM Income Fund	-0.6%	14.8
OM Enhanced Income Fund **	-2.6%	19.1
OM Bond Fund	-6.2%	20.5
OM SA Quoted Property Fund ***	-23.7%	65.3

**Increased return potential = increased drawdown potential**

- \* Consecutive negative months
- \*\* Enhanced inception June 2004
- \*\*\* Inception September 2008

# Investment strategy

## | We avoid:

- Cash
  - Central bank expected to leave the repo rate unchanged the next twelve months, possibly even longer

## | We prefer:

- Medium- and long dated fixed rate bonds
  - Rate of inflation is expected to decrease from current levels
  - Fixed rate bonds are trading at relatively attractive nominal yields
- Corporate bonds
  - Both fixed and variable rate bonds are still trading at yields well above cash

## | We are reducing:

- The CPI-linked bond holding into market strength due to:
  - The mildly bullish inflation view
  - Very low real yields following a strong performance the last few months

# Thank You



# Regulatory Information

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

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

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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.

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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.

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