



VALUE EQUITY INVESTMENTS

The risk of not being in Equities.

Feroz Basa

August 2011

WHY THE VOLATILITY?

Western World in Trouble

- Public Finances out of Control
- Debt Mounting fast
- Weak Economies
- Expensive Welfare
- Demographic Pressures
- Political system dysfunctional

But no “new” Issues:

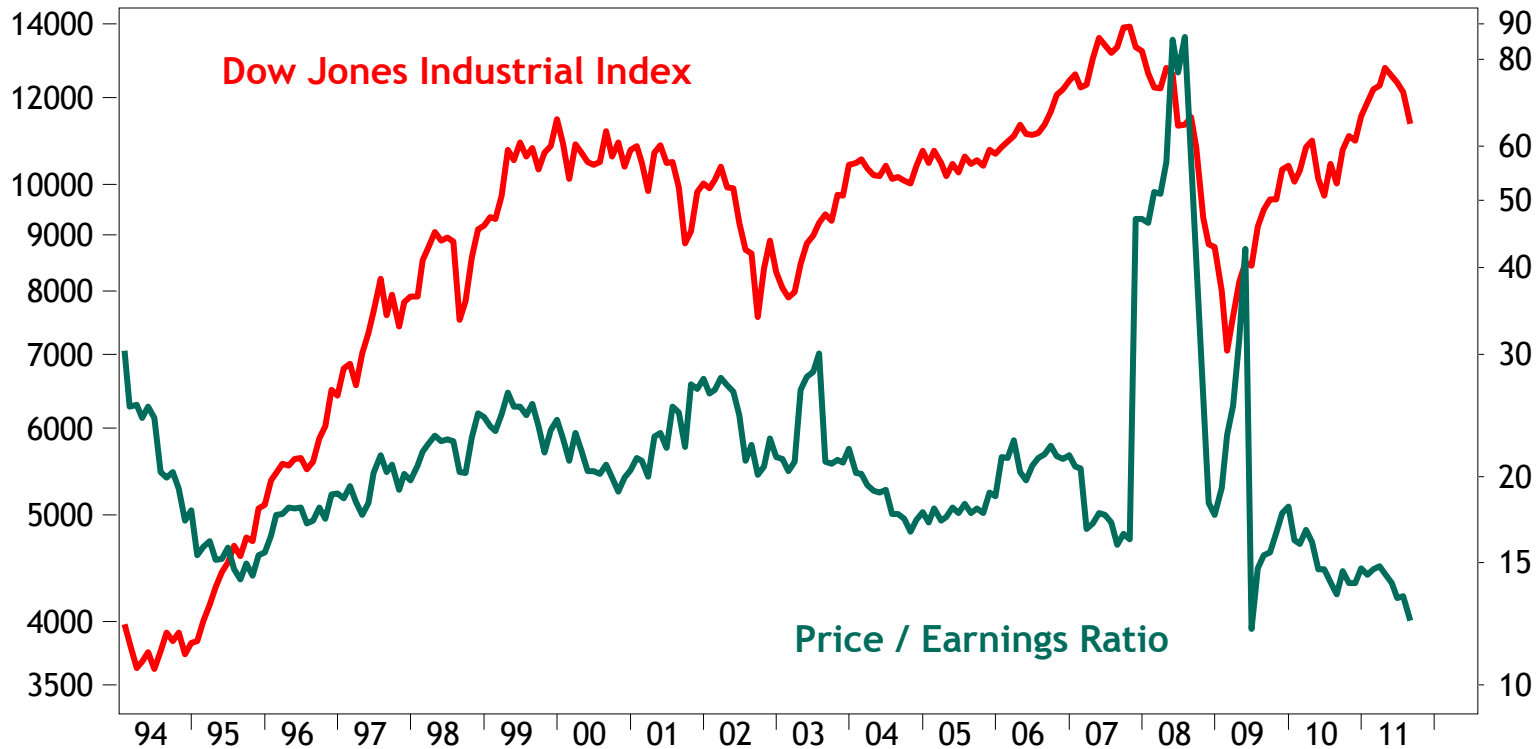
Structural Problems long-time coming

S&P Downgrade of US Debt well flagged

Volatility = Sign of Panic !



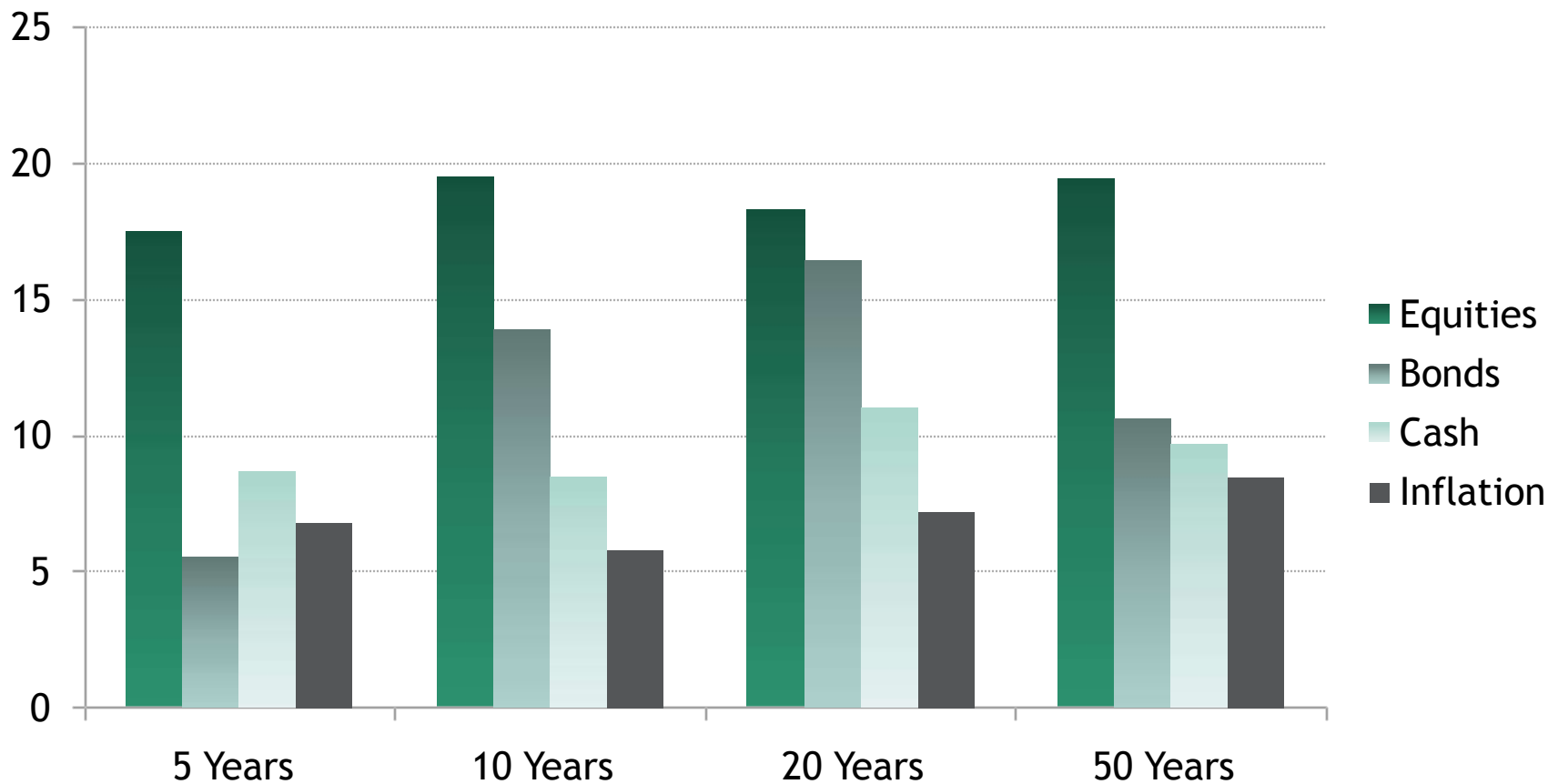
NO REPEAT OF 2008 CRISIS



- Price/Earnings Valuations VERY cheap at 12.8x
- Dividend Yields high at 2.7%
- Companies healthier - Balance sheets in much better shape

WHY SA EQUITIES?

Average Rates of Annual Return (before Tax)



Source: JP Morgan

HIGH YIELD OPPORTUNITY FUND

Top 10 Holdings as at 30 June 2011



	% of fund	Dividend Yield Forecast 12 months
MTN	9.6	5.4%
Sasol	8.0	4.2%
British American Tobacco	5.6	4.9%
Astral	4.3	7.9%
Goldfields	3.7	3.0%
Liberty	3.7	6.7%
Pick n Pay	3.4	5.8%
Altron PP	3.3	5.5%
Old Mutual	3.2	4.2%
Lonmin	3.0	2.2%
Top 10 Holdings	47.8	
Fund Dividend Yield		4.2%



VALUE EQUITY INVESTMENTS

WHY DIVIDENDS MATTER

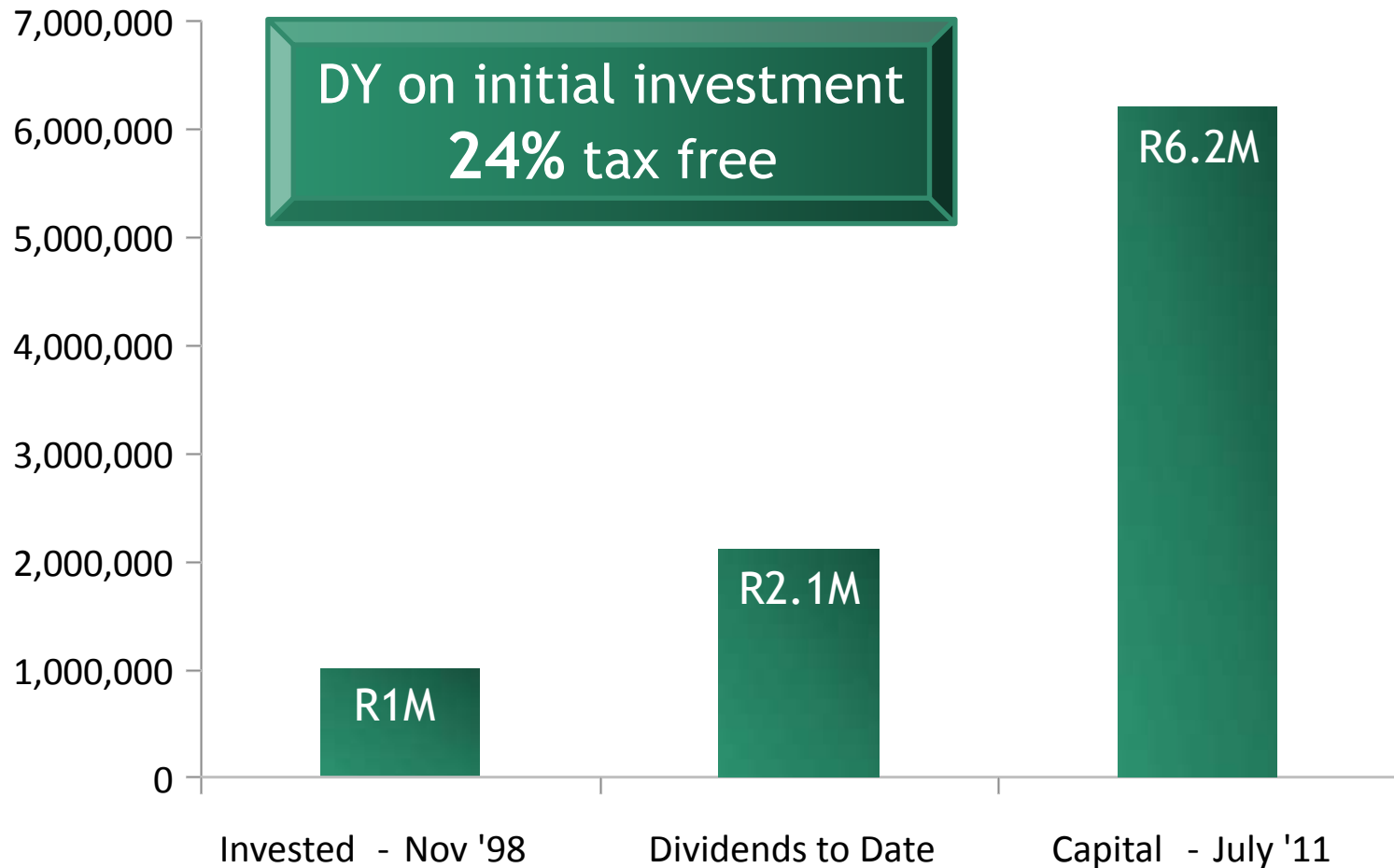
COMPOSITION OF TOTAL RETURN - 10 YEARS



	Total Return p.a.	Price Return p.a.	Yield Return p.a.	<u>Yield/Total</u>
Japan	0.2	-1.0	1.2	706%
USA	1.4	-0.5	1.9	138%
UK	4.0	0.0	4.0	101%
Germany	5.3	2.3	3.0	57%
Hong Kong	9.2	5.0	4.2	45%
Australia	15.4	10.5	4.9	32%
China	14.2	10.7	3.5	25%
South Africa	19.0	14.5	4.5	24%
World	2.8	0.4	2.4	86%
Emerging Markets	16.1	12.6	3.6	22%

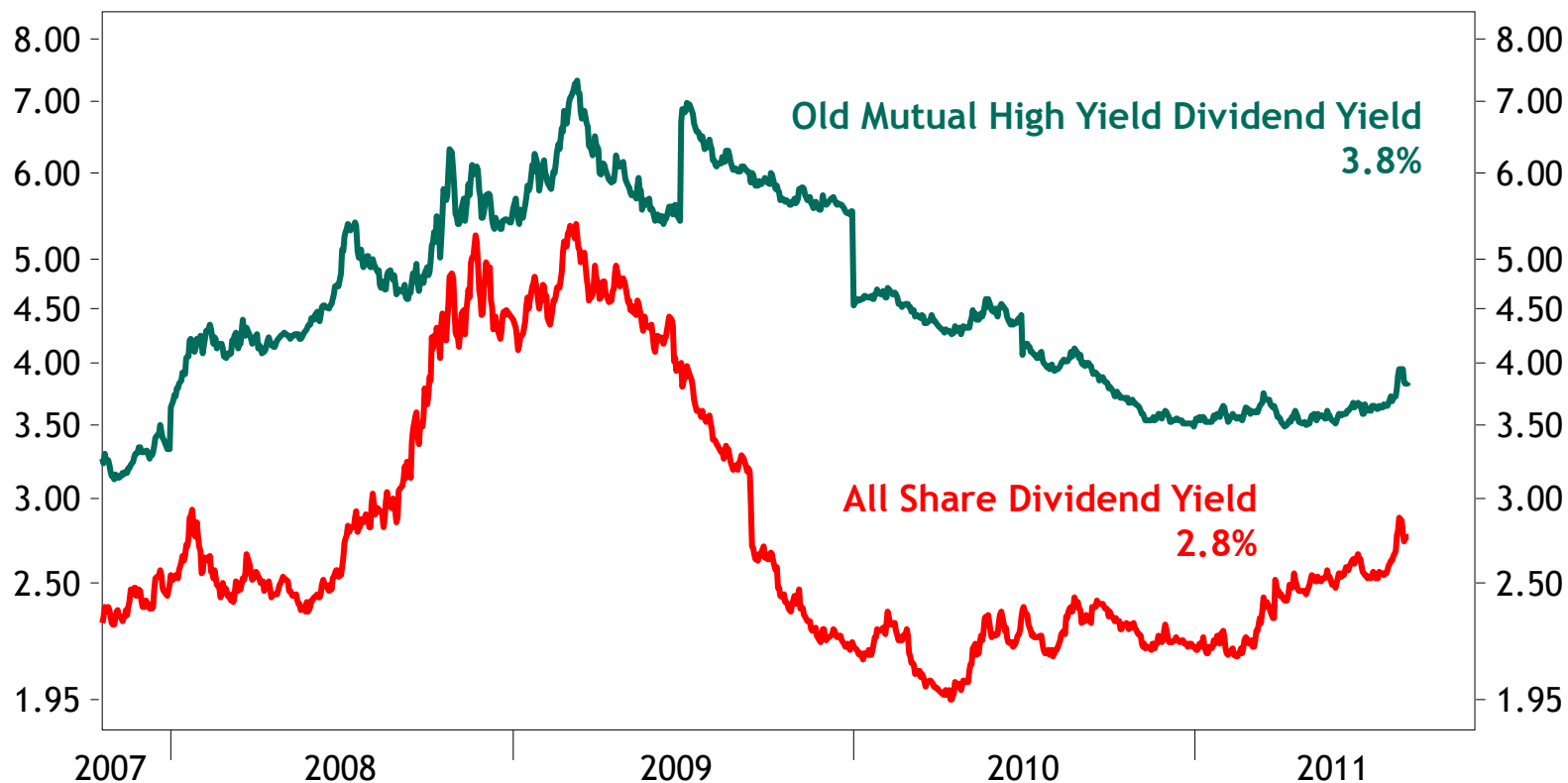
IN A LOW RETURN WORLD, DIVIDENDS BECOME EVEN MORE IMPORTANT

HIGH YIELD OPPORTUNITY FUND



Source: Morningstar - since launch date (November 1998 - July 2011)

DIVIDEND AND PERFORMANCE HISTORY



Old Mutual High Yield Opportunity Fund - As at 31 July 2011

3 Years: 4/76

10 Years: 4/32



VALUE EQUITY INVESTMENTS

THANK YOU