

FLEXI PORTFOLIO PERFORMANCE REPORT



AUGUST 2011

South African economic review

- Following a strong first-quarter growth performance of almost 5% (at an annual rate), the latest high-frequency indicators suggest growth lost considerable momentum again in the second quarter. The slowdown was evident in both production- and demand-side indicators, such as manufacturing production, retail and car sales and building plans passed. Nevertheless, we don't think this marks the start of a renewed economic downturn as the second quarter of the year is typically negatively affected by a host of public holidays. This year an extended school holiday likely distorted the picture further.
- Nevertheless, with growth slowing and global conditions deteriorating, the local growth outlook has undeniably deteriorated. This was acknowledged by the South Africa Reserve Bank (SARB) at the latest meeting of the Monetary Policy Committee. As a result, expectations of the start of the up-cycle in local interest rates have softened considerably over the past month. Most analysts that were expecting the first hike in September or November have started to push that forecast out to early 2012. Money market rates have reacted in a similar fashion.
- Inflation rose to 5.0% in June. This is up from a cyclical bottom of 3.2% in September 2010. The primary drivers of the rise are still food and energy prices, as well as municipal rates and charges. The still-strong rand is still a powerful brake on inflation. Nevertheless, we expect inflation to rise to about 6% by year-end and to start to ease gradually during the course of 2012. This forecast assumes no significant weakening of the rand and/or a sharp further rise in the oil price.
- The SA economy's inability to create jobs during the recovery so far was once again highlighted by a further rise in the unemployment rate to 25.4% in the second quarter. The current spate of strike activity, together with still very high wage demands by labour unions, will further harm SA's international competitiveness and ability to create jobs.

The local recovery remains on track. However, weakness in a number of areas still stands in the way of a faster recovery. Inflation is on a moderate uptrend and interest rates are expected to start rising somewhere between the fourth quarter of 2011 and the first quarter of 2012.

MARKET PERFORMANCE INCLUDING DIVIDENDS

	Last Month (%)	Year to Date (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	8 Years (% p.a.)	10 Years (% p.a.)
JSE All Share	-2.0	0.7	13.1	7.0	11.3	20.4	17.2
JSE Fin & Ind	-0.4	5.9	15.6	14.2	13.8	22.3	17.0
JSE All Gold	0.8	-4.5	3.5	4.9	-3.3	2.0	10.5
All Bond	1.5	6.0	8.5	10.9	9.0	9.4	10.3
Total Cash	0.4	2.4	5.1	7.2	8.1	7.5	8.1
ALSI40	-2.4	0.1	13.2	5.3	10.6	19.8	16.4
INDI25	-0.1	9.1	22.8	16.1	17.5	25.1	18.2



RETIREMENT ANNUITIES TO 01/08/2011 - Refer Notes

PERFORMANCE PROFITS																		
Period	Equity %			Balanced %			Select %			SMOOTHED BONUS			STABLE FUND			CPI		
	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.		%	
1 Year	3.1	8.8	8.8	3.6	7.7	7.7	2.8	6.7	6.7	6.6	7.0	7.0	4.1	4.5	4.5	4.8		
2 Years	8.1	11.4	12.6	7.1	9.2	9.9	6.4	8.8	9.7	7.2	7.3	7.4	4.8	5.0	5.3	4.3		
3 Years	11.1	7.8	4.4	8.4	7.3	5.5	8.7	6.9	5.2	7.3	7.2	7.2	5.4	5.8	6.5	5.1		
5 Years	5.5	5.6	6.5	5.8	6.1	6.8	5.5	6.2	8.0	8.0	8.6	10.2	6.3	6.4	6.7	6.7		
8 Years	10.6	11.8	15.6	9.3	10.2	12.9	9.8	10.9	13.9	10.9	11.0	12.0	6.3	6.3	6.1	5.4		
10 Years	11.8	12.2	12.4	10.1	10.3	10.4	11.0	11.4	12.0	11.0	11.0	10.6	6.3	6.3	6.2	5.8		
15 Years	11.7	11.5	10.7	10.3	10.2	10.0	-	-	-	10.7	10.7	10.6	6.5	6.6	7.5	6.0		
20 Years	12.3	12.2	12.4	10.8	10.8	11.4	-	-	-	11.2	11.3	12.1	7.8	7.9	9.4	6.9		
25 Years	13.3	13.4	15.0	11.8	11.8	13.0	-	-	-	12.5	12.6	13.9	-	-	-	8.4		
INTERIM RATES													6.20% p.a. (0.503% p.m.)			0.303% p.m.		

ENDOWMENTS / LIFE PORTFOLIOS TO 01/08/2011 - Refer Notes

PERFORMANCE PROFITS																		
Period	Equity %			Balanced %			Select %			SMOOTHED BONUS			STABLE FUND			CPI		
	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.		%	
1 Year	4.0	9.9	9.9	3.2	6.8	6.8	3.3	6.5	6.5	5.4	5.8	5.8	2.2	2.5	2.5	4.8		
2 Years	8.4	11.7	12.5	5.7	7.6	8.0	6.1	8.1	8.9	6.0	6.1	6.2	2.8	3.1	3.4	4.3		
3 Years	10.7	7.6	3.7	6.7	5.6	3.6	7.9	6.0	4.0	6.1	6.0	6.0	3.5	3.9	4.7	5.1		
5 Years	4.9	5.1	5.8	4.2	4.6	5.3	4.7	5.2	6.5	6.8	7.4	9.0	4.5	4.6	5.0	6.7		
8 Years	9.7	10.8	14.4	7.8	8.6	11.4	8.5	9.6	12.7	9.8	9.9	11.1	4.6	4.7	4.7	5.4		
10 Years	10.7	11.1	11.3	8.7	8.9	9.2	9.8	10.2	10.9	10.0	10.0	9.8	4.8	4.8	5.0	5.8		
15 Years	10.6	10.4	9.6	9.1	8.9	8.8	-	-	-	9.9	9.9	9.9	5.4	5.5	6.5	6.0		
20 Years	11.1	11.1	11.3	9.5	9.5	10.1	-	-	-	10.4	10.4	11.1	6.5	6.6	7.9	6.9		
25 Years	12.1	12.1	13.7	10.3	10.4	11.6	-	-	-	11.4	11.6	12.9	-	-	-	8.4		
INTERIM RATES													5.00% p.a. (0.407% p.m.)			0.148% p.m.		
GUARANTEED CAPITAL FUND (CURRENT AFTER-TAX RATE)													4.50% p.a. (0.367% p.m.)					
EQUIVALENT RETURN at the tax rate of 18%													5.49% p.a. (0.446% p.m.)					
													7.50% p.a. (0.604% p.m.)			at the tax rate of 40%		

PORTFOLIO ASSET SPLIT

	Retirement Annuities						Endowments/Life					
	PP Equity %	PP Balanced %	PP Select %	Smoothed Bonus %	WW Equity %	WW Balanced %	PP Equity %	PP Balanced %	PP Select %	Smoothed Bonus %	WW Equity %	WW Balanced %
Interest-bearing	0 (0)	18 (0)	21 (0)	18 (1)	0 (0)	27 (22)	0 (0)	17 (1)	21 (0)	18 (1)	0 (0)	27 (23)
Ordinary Shares	100 (20)	68 (19)	74 (18)	58 (13)	100 (83)	73 (57)	100 (21)	69 (19)	74 (18)	58 (13)	100 (84)	73 (57)
Property	0	10	5	10	0	0	0	10	5	10	0	0
Other	0	4	0	14	0	0	0	4	0	14	0	0

Figures in brackets - international portion of sector weighting

TOP EQUITY HOLDINGS (SA)

Name	% Split	Sector
1. MTN Group	10.5	Mobile Telecommunications
2. Anglo American plc	6.6	General Mining
3. Sasol	6.4	Oil & Gas
4. BHP Billiton plc	5.6	General Mining
5. Standard Bank Group	4.2	Banks
6. Naspers	3.8	Media
7. Old Mutual	3.3	Life Insurance
8. SABMiller	3.2	Consumer Goods
9. FirstRand Group	2.8	Banks
10. ABSA Group Limited	2.7	Banks

Global economic overview

- July was a month full of worries for global financial markets. While the fiscal troubles in the European Union and the US took centre stage, growing signs of a considerable loss of momentum in the global economic recovery and fears over policy tightening in the emerging world, China and India in particular, added to the worries. As a result, global equity markets, which rallied strongly towards the end of June, sold off again in July. As the traditional safe haven, the gold price surged to yet new all-time highs.
- European officials, reacting to mounting panic in financial markets, eventually came up with a package that should avoid a Greek default in the foreseeable future. While markets initially reacted with relief, concerns soon turned to the fiscal situation in much larger Italy and Spain. Continued increases in 10-year government bond yields of both countries (see graph) reflected the mounting concerns over medium-term fiscal prospects for both countries. In the US, following building frustrations over lawmakers' bickering over reaching an agreement to raise the \$14.3trn debt ceiling, a last-minute deal was reached. Yet, the agreement falls short of what is needed to stabilise, let alone lower, US government debt as a percentage of GDP over the next decade. Concern over the US fiscal situation will consequently continue to cast a cloud over financial markets for a long time to come.
- To add to mounting fiscal worries, global growth lost further momentum over the past month. Against this background, looming fiscal tightening in the US and Europe, as well as further monetary tightening in China to counter still-rising inflation pressures, raised concerns that the current soft patch will turn into an outright downturn in the months to come.
- While the risks to the global economy have undeniably increased considerably over the past few months, we remain of the opinion that a full-blown global downturn is unlikely. Yet, it is very likely that growth will remain soggy for a few months to come still, causing concerns over the sustainability of the elevated level of company profits globally. As a result, markets may well remain very volatile in coming months as investors wait for the current clouds of uncertainties to fade.

After a soft patch in global growth during the second quarter, we expect growth to rebound during the second half of 2011. Substantial risks remain – including fiscal policy tightening globally – so we cannot expect more than moderate growth going forward.

GLOBAL MARKET PERFORMANCES IN RAND TERMS

	Last Month (%)	Year to Date (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	8 Years (% p.a.)	10 Years (% p.a.)
MSCI World	-2.8	-5.2	9.5	-1.6	1.7	6.2	2.3
JP Morgan	1.3	-0.5	0.2	4.2	7.2	5.7	5.8
S&P 500	-3.1	-5.5	9.4	-0.4	1.3	3.7	0.1
FTSE 100	-0.9	-3.2	9.9	-2.9	0.1	7.0	3.4
Nikkei 225	3.7	-4.7	6.3	-1.8	-1.8	4.8	0.9
Rand/Dollar	-1.0	-6.5	-8.1	-2.8	-0.7	-1.2	-2.1

WORLDWIDE FUNDS - PERFORMANCE IN RAND TERMS - Refer Notes

Period	WW EQUITY %						WW BALANCED %					
	Retirement Annuities			Endowments/Life			Retirement Annuities			Endowments/Life		
	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.	M.P.	A.P.	S.P.
1 Year	1.9	7.4	7.4	1.4	6.8	6.8	1.3	5.3	5.3	1.4	5.2	5.2
2 Years	3.1	6.5	6.1	2.4	5.7	5.2	2.0	4.7	4.4	1.9	4.4	3.9
3 Years	2.5	0.7	-5.6	1.5	-0.2	-6.6	1.4	0.9	-3.1	1.0	0.5	-3.5
5 Years	-2.6	-1.9	-1.3	-3.6	-3.3	-3.9	-1.2	-0.1	1.4	-1.7	-0.6	0.6
8 Years	1.2	1.8	4.2	-0.1	0.5	3.3	2.9	3.5	5.4	2.0	2.6	4.3
10 Years	1.4	1.8	1.5	0.1	0.3	0.0	2.8	3.2	2.7	1.9	2.1	1.8
15 Years	2.7	3.0	6.3	1.5	1.7	5.3	4.0	4.2	7.0	3.1	3.3	6.3

GEOGRAPHICAL SPREAD

	EQUITY PORTION %			BOND PORTION %		
	Fund	MSCI	Difference	Fund	Benchmark ⁸	Difference
United States	36.8	42.6	-5.8	35.3	36.0	-0.7
Japan	10.1	8.3	1.8	10.5	26.1	-15.5
Europe ex UK	13.0	17.7	-4.7	26.2	27.6	-1.4
United Kingdom	7.1	8.4	-1.3	13.2	5.7	7.5
SE Asia & Canada	10.1	11.3	-1.1	10.9	4.4	6.5
South Africa	16.7	0.0	16.7	0.9	0.1	0.7
Other	6.2	11.8	-5.6	3.1	0.2	2.9
Total	100.0	100.0	0.0	100.0	100.0	0.0

EQUITY SECTOR SPREAD

	Fund	MSCI	US	JAPAN	UK	Europe ex UK
Cash	1.7	0.0	0.8	0.2	0.1	0.3
Consumer Discretionary	9.0	10.2	3.9	1.1	0.8	1.4
Consumer Staples	7.2	9.5	3.3	0.8	0.6	1.1
Energy	9.8	12.1	4.3	1.3	0.8	1.5
Financials	11.6	19.8	5.1	1.5	1.0	1.8
Healthcare	8.5	8.6	3.7	1.1	0.7	1.3
Industrials	11.1	10.7	4.9	1.3	0.9	1.7
Information Technology	13.0	11.5	5.8	1.5	1.1	2.0
Materials	5.7	9.2	2.6	0.6	0.5	0.9
Other	0.2	0.0	0.1	0.0	0.0	0.0
Telecom Services	3.5	4.6	1.6	0.4	0.3	0.6
Utilities	1.9	3.7	0.9	0.2	0.2	0.3
SA Rand Hedge	16.7	0.0	0.0	0.0	0.0	0.0

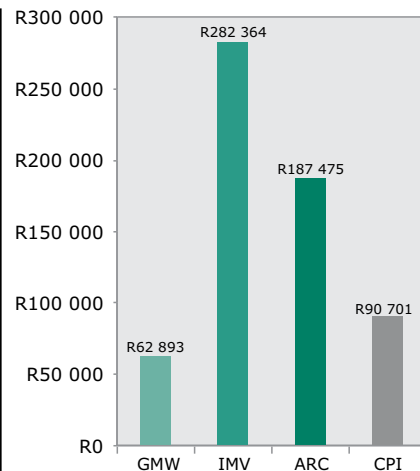
TOP EQUITY HOLDINGS (GLOBAL)

Name	Sector
1. Royal Dutch Shell	Energy
2. Philip Morris International	Consumer
3. Weir Group PLC	Industrials
4. Microsoft	Information Technology
5. Conoco Phillips	Energy
6. China Mobile	Telecommunication Services
7. IBM	Information Technology
8. Apple Inc	Information Technology
9. Capital One Financial	Financials
10. Novartis	Pharmaceuticals

Actual policy payouts

RETIREMENT ANNUITY (FLEXiPENSION SMOOTHED BONUS) - POLICY NUMBER: 5365488

Monthly premium	R125.00
Entry date	1/8/1987
Maturity date	1/8/2011
Guaranteed Maturity Value (GMV)	R62 893.00
Illustrative Maturity Value (IMV) (@ 15%)*	R282 364.00
Illustrative Maturity Value (IMV) (@ 12%)*	R178 345.00
Total premiums paid	R36 000.00
Retirement age (anb)	56
Actual Retirement Capital (ARC)	R187 475.36
Policyholder's investment return**	12.0% p.a.
Average inflation of policy term (CPI)***	7.0% p.a.

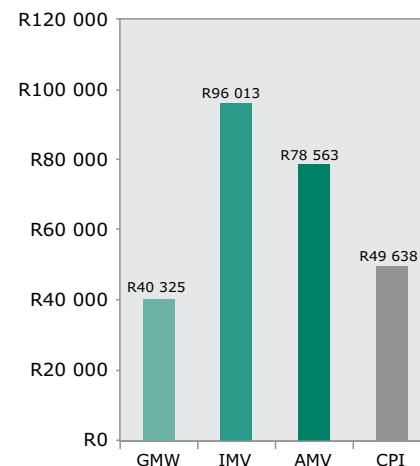


AN OPTION AT MATURITY (SINGLE LIFE ANNUITY)

One-third cash	R62 491.79
Consideration for annuity	R124 983.57
Gross annuity	R906.42
After-tax (40%) annuity	R543.85
Net return (after tax)	13.8%

PURE ENDOWMENT (FLEXiDOWMENT SMOOTHED BONUS) - POLICY NUMBER: 12069939

Single premium	R25 360.00
Entry date	1/8/1999
Maturity date	1/8/2011
Guaranteed Maturity Value (GMV)	R40 325.00
Illustrative Maturity Value (IMV) (@ 12%)*	R96 013.00
Illustrative Maturity Value (IMV) (@ 9%)*	R68 996.00
Total premiums paid	R25 360.00
Actual Maturity Value (AMV)	R78 563.26
Policyholder's investment return**	9.9% p.a.
Average inflation of policy term (CPI)***	5.8% p.a.



* The Illustrative Maturity Value calculation is based on the allocation amount (gross premiums minus policy charges). These were the IMV rates applicable at inception. As stipulated by the BIA, the IMV rates for new business are currently 4% and 10%, effective from 1 July 2005.

** The policyholder's investment return is based on gross premiums paid.

*** The average inflation (CPI) of policy term is based on gross premiums paid and payment mode.

Marketing Facts

WHAT IS ASSET ALLOCATION?

Some describe asset allocation as the “only free lunch in the investment world”. This is because, if done correctly, it can substantially increase the value of your portfolio as well as manage your exposure to risk (i.e. the potential to lose money).

Asset allocation is spreading your money across different asset classes with the aim of achieving your financial goals at acceptable levels of risk.

Studies¹ conducted in the USA have shown that a key driver of growth within an investment portfolio comes from being exposed to the right mix of assets. This was reinforced by research conducted by the New York based company, Alliance Bernstein Investments. They asked financial advisers for the “single most detrimental mistake investors make”. The majority responded that it was “not paying enough attention to asset allocation”, while “83% of financial advisers surveyed said effective asset allocation could have cut investor losses by at least half during the bear market of the early 2000s”.

HOW DOES ASSET ALLOCATION WORK?

Shares, listed property, bonds and cash tend to move up or down at different times. The reason for this is that different market conditions influence asset classes in different ways. Asset allocation fund managers take advantage of these different relationships (correlations) by tactically combining diverse asset classes in one portfolio. This reduces the risk of being over-exposed to a single asset class.

Selecting optimal combinations of asset classes to achieve the best possible risk/return balance is no simple task. It requires a detailed understanding of these relationships combined with extensive market research.

With a growing demand worldwide for multi-asset class solutions, Old Mutual has developed a range of asset allocation funds for its clients. Each solution is tailored to meet different needs in terms of:

- Objectives (i.e. income or growth)
- Timeframes (i.e. short term or long term)
- Risk tolerance (i.e. low risk or high risk)

Remember, when making your investment decisions, to seek the advice of a trained professional. A financial adviser can assist you in selecting the most suitable investments for your current (and future) needs.

¹ Studies conducted on US pension and unit trust funds. “Determinants of Portfolio Performance” (1986) and “Determinants of Portfolio Performance II: An Update” (1991), Brinson et al. “Does Asset Allocation Policy Explain 40, 90, or 100 Percent of Performance?” Roger Ibbotson and Paul Kaplan (2000).

Notes

1. The performance figures in the tables represent the returns earned on premiums allocated. The returns on premiums actually paid will be lower than this because they take the policy specific charges into account. For this reason examples of actual payouts are shown.
2. All returns are quoted net of investment fund charges and tax.
3. The Smoothed Bonus declaration is made up of a vesting bonus and a claim bonus. The vesting bonus portion of the total bonus cannot be removed on death or maturity of the policy. The claim bonus portion is not guaranteed and could be adjusted should investment conditions dictate.
4. M.P. = monthly premium, A.P. = annual premium, S.P. = single premium.
5. The Flexi range of products was launched on 1 September 1984. Returns for the periods starting before this date apply to policies available before the introduction of the Flexi range of products.
6. The Property Portfolio and the OMD Top 40 Index Fund returns are available at any time.
7. The MSCI World Index is the benchmark for the Worldwide Equity portion. The benchmark figures for the Worldwide Bond portion consist of 70% JP Morgan Bond Index and 30% Barclays Capital Global Bond Index.

AUGUST 2011

Retail Investment Marketing - Mutualpark
Internet website: www.oldmutual.co.za