FLEXI PORTFOLIO PERFORMANCE REPORT

JANUARY 2011

South African economic review

- The past month saw generally favourable economic developments in South Africa. To summarise: Inflation, at 3.6% in November, remained near the low end of the 3% - 6% inflation target range; South Africa was formally invited to join the BRIC group of countries; the rand firmed further and data on the real economy indicates that the local economic recovery remains on track.
- The key event of the past month was the further strengthening of the rand. By month-end it was trading below R6.70 against the US dollar, below R8.75 against the euro and around R10.25 against the British pound. In all three cases these levels were last seen in 2006/7.
- The strength of the rand can be ascribed to the still-positive sentiment towards emerging markets in general, the strength of precious metal prices and positive sentiment towards South Africa in particular, following the invitation to join the BRIC grouping.
- The strength of the rand is a double-edged sword. On the positive side it helps to contain inflation, enables local business to overhaul production capacity with relatively cheap imported capital equipment and sends a positive message regarding investors' perceptions about the economic and policy outlook. On the negative side it is hurting the competitiveness of exporters and companies competing with imports, so negatively affecting the outlook for growth and employment. While the common perception is that the rand has become overvalued relative to South Africa's urgent growth and employment needs, the current global environment may keep the currency strong for some time to come.
- Inflation remains well contained, but the September number of 3.2% was most likely the bottom of the down cycle. While inflation rose moderately to 3.6% over the past two months, 2011 will likely see only a moderate further rise, provided the rand does not weaken materially. We expect inflation to end 2011 at around 5%.
- Declining inflation, sustained rand strength and a slow economic recovery resulted in local lending rates falling to the lowest level since 1974. Looking forward, these low rates can only be sustained if inflation remains well within the inflation target, inflation expectations come under better control and wage demands moderate drastically. We are sceptical that these outcomes will all occur over the medium term, so we continue to expect rates to start rising again sometime in the future. However, the next up cycle in rates still appears to be many months away.

The local economy is recovering, albeit still moderately and in an unbalanced fashion. With the rand strong and inflation well contained, interest rates will likely remain at low levels for an extended period.

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	6.2	19.0	19.0	6.5	15.2	20.2	17.8
JSE Fin & Ind	5.2	23.8	23.8	8.8	15.1	22.2	16.3
JSE All Gold	2.0	12.5	12.5	6.0	2.2	-0.1	15.0
All Bond	1.7	15.0	15.0	10.0	7.9	10.4	11.7
Total Cash	0.4	5.9	5.9	8.4	8.3	8.0	8.4
ALSI 40	6.7	17.2	17.2	5.7	14.6	19.3	17.1
INDI 25	5.8	26.6	26.6	11.7	18.2	23.6	15.9

OLD MUTUAL

RETIREMENT ANNUITIES TO 01/01/2011 - Refer Notes

	PERFORMANCE PROFITS									SMOOTHED BONUS			STABLE FUND			CPI
	Equity %			Balanced %			Select %			%			%			
Period	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	20.4	13.2	13.2	14.6	11.0	11.0	14.6	10.1	10.1	6.2	6.2	6.2	5.5	5.6	5.6	3.5
2 Years	21.2	17.1	18.8	14.2	10.9	10.9	15.4	12.5	13.6	6.5	6.5	6.7	5.8	6.3	6.6	4.9
3 Years	12.3	8.9	0.7	9.4	7.1	3.4	10.0	7.4	2.4	6.5	6.5	6.5	6.6	6.8	7.3	6.2
5 Years	7.5	7.9	9.6	7.2	7.4	8.7	7.3	7.4	9.0	8.6	9.2	11.9	6.9	6.9	6.7	6.7
8 Years	13.4	12.9	15.0	11.2	10.9	12.5	12.0	11.6	13.8	11.3	11.3	11.7	6.6	6.6	6.5	5.1
10 Years	13.2	12.6	12.5	11.0	10.6	10.7	12.3	11.9	12.6	11.1	11.1	10.8	6.5	6.5	6.3	5.7
15 Years	12.4	12.5	11.6	10.8	10.9	10.5	-	-	-	10.8	10.8	10.9	6.8	6.9	8.0	6.1
20 Years	13.0	13.2	14.2	11.4	11.5	12.5	-	-	-	11.4	11.5	12.3	8.2	8.3	9.8	7.1
25 Years	14.1	14.4	16.2	13.0	13.1	14.3	-	-	-	12.7	12.9	14.2	-	-	-	8.7
INTERIM RATES										6.20% p.a. (0.503% p.m.)			0.428% p.m.			

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

	PERFORMANCE PROFITS									SMOOTHED BONUS			STABLE FUND			CPI
	Equity %			Balanced %			Select %			%			%			
Period	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	19.2	12.6	12.6	11.4	8.5	8.5	13.8	9.3	9.3	5.0	5.0	5.0	3.3	3.4	3.4	3.5
2 Years	19.8	15.5	16.8	11.0	8.6	8.6	14.0	11.0	11.8	5.3	5.3	5.5	3.9	4.4	4.8	4.9
3 Years	10.9	7.7	-0.2	6.7	5.0	1.6	8.6	6.2	1.5	5.3	5.3	5.3	4.7	5.0	5.6	6.2
5 Years	6.4	6.9	8.7	5.1	5.6	7.1	6.0	6.2	7.7	7.4	8.0	10.8	5.1	5.1	5.1	6.7
8 Years	12.0	11.6	13.6	9.4	9.2	11.1	10.5	10.3	12.6	10.2	10.3	10.8	5.0	5.1	5.2	5.1
10 Years	11.8	11.3	11.1	9.4	9.2	9.4	11.0	10.7	11.4	10.1	10.1	10.0	5.1	5.1	5.3	5.7
15 Years	11.2	11.2	10.3	9.5	9.6	9.2	-	-	-	10.0	10.1	10.2	5.8	5.9	6.9	6.1
20 Years	11.7	11.9	12.9	10.0	10.2	11.1	-	-	-	10.6	10.6	11.3	6.9	7.0	8.3	7.1
25 Years	12.7	13.0	14.8	11.5	11.7	12.9	-	-	-	11.7	11.9	13.2	-	-	-	8.7
INTERIM RATES										5.00% p.a. (0.407% p.m.)			0.255% 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.)						
at the tax rate of 40%										7.50% p.a. (0.604% p.m.)						

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)	17 (0)	0 (0)	25 (21)	0 (0)	16 (0)	21 (0)	17 (0)	0 (0)	25 (21)
Ordinary Shares	100 (11)	69 (11)	73 (14)	69 (13)	100 (82)	75 (57)	100 (18)	70 (17)	73 (14)	69 (13)	100 (82)	75 (57)
Property	0	9	6	10	0	0	0	10	6	10	0	0
Other	0	4	0	4	0	0	0	4	0	4	0	0

Figures in brackets - international portion of sector weighting

TOP EQUITY HOLDINGS (SA)

Name	% Split	Sector
1. MTN Group	9.7	Mobile Telecommunications
2. Anglo American	6.6	General Mining
3. Sasol	6.3	Oil & Gas
4. BHP Billiton	5.8	General Mining
5. Standard Bank Group	4.7	Banks
6. Naspers	4.1	Media
7. FirstRand Group	3.3	Banks
8. Old Mutual	2.7	Life Insurance
9. SABMiller	2.5	Consumer Goods
10. ABSA	2.4	Banks

Global economic overview

- Following a pullback in November, global equity markets rallied strongly in December. Growing signs that the world economy is strengthening and fading fears about the fiscal troubles in Europe were the main drivers behind a recovery in risk appetite among investors.

- Incoming real economic data from around the world confirms that the momentum loss during the middle quarters of 2010 did not degenerate into a renewed full-scale global slump, and indicates that activity may actually have accelerated towards year-end. As a result of the better data, consensus global growth forecasts for 2011 were lifted, albeit moderately. Overall, global growth is still generally expected to be slow in 2011, but the recent data has strongly raised confidence that the global recovery will be sustained, in spite of still-considerable structural headwinds.

- While concerns about the outlook for the world economy and fiscal troubles in Europe eased over the past month, policy tightening in China came to the fore as a concern for investors. As inflation rose during the course of 2010, the Chinese central bank gradually tightened policy. However, inflation escalated to over 5% in November, with the key food component rising to more than 11%, and sparked concerns over more aggressive tightening by the Chinese authorities. These concerns were justified as the central bank hiked interest rates late in December, following a series of increases in banks' reserve ratio requirements. Investors will keep a close eye on developments in China early in 2011 in order to assess policy risks.

- We have held the view since last year that the initial part of the global recovery would be surprisingly strong, but that a momentum loss during the course of 2010 would be inevitable. While both have played out precisely as we expected, there is no denying that, for now (and despite the improvement in sentiment over the past few months), fiscal tightening and the jobless nature of the recovery so far, have kept prospects for the world economy pretty unexciting.

- Looking forward, there is no denying that global prospects remain, as the US Federal Reserve put it, still 'unusually uncertain'. However, it would appear as if downside risks are slowly starting to abate.

Investor fears about a 'double-dip' cycle eased during the course of the past few months, but growth prospects still look pretty unexciting. At best, we expect moderate global growth in 2011.

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	0.2	0.9	0.9	-5.3	3.9	5.3	1.4
JP Morgan	-5.3	-4.4	-4.4	5.5	8.3	3.3	5.7
S&P 500	-0.5	3.0	3.0	-4.3	2.7	2.8	-0.3
FTSE 100	0.2	-1.9	-1.9	-7.9	3.7	5.2	2.1
Nikkei 225	-0.8	0.0	0.0	-3.8	-0.7	3.8	-0.9
Rand/Dollar	-6.7	-10.2	-10.2	-1.1	0.8	-3.2	-1.3

WORLDWIDE FUNDS - PERFORMANCE IN RAND TERMS - Refer Notes

	WW EQUITY %						WW BALANCED %					
	Retirement Annuities			Endowments/Life			Retirement Annuities			Endowments/Life		
Period	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	4.3	0.7	0.7	3.2	-0.1	-0.1	-0.1	-1.0	-1.0	0.1	-0.9	-0.9
2 Years	5.4	1.6	2.1	4.0	0.0	0.1	1.5	-1.2	-1.3	1.2	-1.5	-1.8
3 Years	-1.9	-3.3	-8.8	-3.2	-4.5	-9.8	-2.6	-3.0	-4.9	-3.0	-3.3	-5.2
5 Years	-3.5	-2.4	1.0	-5.0	-4.0	-1.5	-1.8	-0.5	3.5	-2.3	-1.3	2.4
8 Years	1.3	1.5	3.1	-0.1	0.1	1.8	3.0	3.1	3.9	1.9	2.0	2.8
10 Years	1.1	0.8	0.7	-0.4	-0.6	-0.8	2.5	2.3	2.0	1.4	1.2	1.1

GEOGRAPHICAL SPREAD

	EQUITY PORTION %			BOND PORTION %		
	Fund	MSCI	Difference	Fund	Benchmark[8]	Difference
United States	36.0	42.5	-6.5	37.3	37.7	-0.4
Japan	9.1	8.6	0.4	7.5	25.1	-17.6
Europe ex UK	12.6	17.4	-4.8	29.8	27.1	2.6
United Kingdom	6.4	8.4	-2.1	10.8	5.6	5.2
SE Asia & Canada	9.3	11.0	-1.7	12.6	4.1	8.4
South Africa	17.6	0.0	17.6	0.9	0.1	0.8
Other	9.1	12.0	-2.9	1.2	0.2	1.0
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	1.2	0.0	0.5	0.1	0.1	0.2
Consumer Discretionary	11.0	9.9	4.7	1.2	0.9	1.7
Consumer Staples	5.3	9.4	2.3	0.6	0.4	0.8
Energy	7.2	11.4	3.2	0.8	0.5	1.1
Financials	12.8	20.8	5.6	1.4	1.0	2.0
Healthcare	8.4	8.1	3.7	0.9	0.6	1.3
Industrials	11.0	10.8	4.8	1.2	0.9	1.7
Information Technology	13.7	11.9	6.0	1.5	1.1	2.1
Materials	6.1	9.2	2.6	0.7	0.5	0.9
Other	0.2	0.0	0.1	0.0	0.0	0.0
Telecoms Services	4.0	4.6	1.7	0.4	0.3	0.6
Utilities	1.6	3.9	0.7	0.2	0.1	0.2
SA Rand Hedge	17.6	0.0	0.0	0.0	0.0	0.0

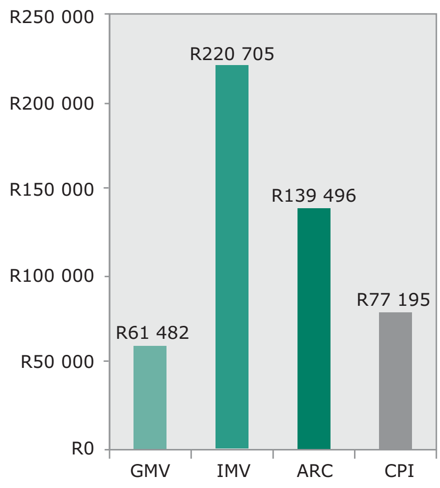
TOP EQUITY HOLDINGS (GLOBAL)

Name	Sector
1. IBM	Information Technology
2. Royal Dutch Shell	Energy
3. Conoco Phillips	Basic Materials
4. Johnson & Johnson	Consumer Goods
5. China Mobile	Telecommunication Services
6. Microsoft	Information Technology
7. JP Morgan Chase & Co	Financials
8. Autolive Inc	Industrials
9. SJM Holdings	Financials
10. Chevron	Energy

Actual policy payouts

RETIREMENT ANNUITY (FLEXiPENSION BALANCED) - POLICY NUMBER: 6370158

Monthly premium	R150.00
Entry date	1/1/1990
Maturity date	1/1/2011
Guaranteed Maturity Value (GMV)	R61 482.00
Illustrative Maturity Value (IMV) (@ 15%) *	R220 705.00
Illustrative Maturity Value (IMV) (@ 12%) *	R149 467.00
Total premiums paid	R37 800.00
Retirement age (anb)	61
Actual Retirement Capital (ARC)	R139 496.10
Policyholder's investment return**	11.1% p.a.
Average inflation of policy term (CPI)***	6.3% p.a.

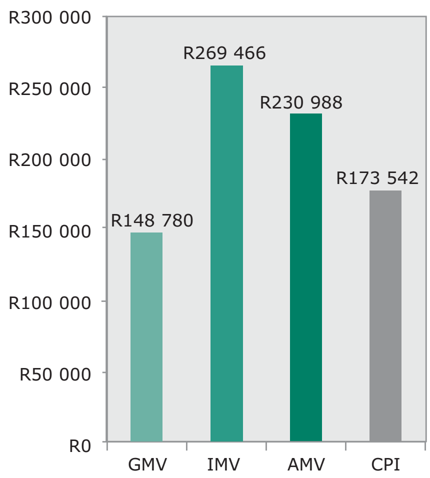


AN OPTION AT MATURITY (SINGLE LIFE ANNUITY)

One-third cash	R46 498.70
Consideration for annuity	R92 997.40
Gross annuity	R738.74
After-tax (40%) annuity	R443.24
Net return (after tax)	11.7%

PURE ENDOWMENT (FLEXiDOWMENT SMOOTHED BONUS) - POLICY NUMBER: 10746587

Monthly premium	R681.77
Entry date	1/1/1997
Maturity date	1/1/2011
Guaranteed Maturity Value (GMV)	R148 780.00
Illustrative Maturity Value (IMV) (@ 12%) *	R269 466.00
Illustrative Maturity Value (IMV) (@ 9%) *	R213 215.00
Total premiums paid	R114 537.36
Actual Maturity Value (AMV)	R230 987.70
Policyholder's investment return**	9.4% p.a.
Average inflation of policy term (CPI)***	5.7% p.a.

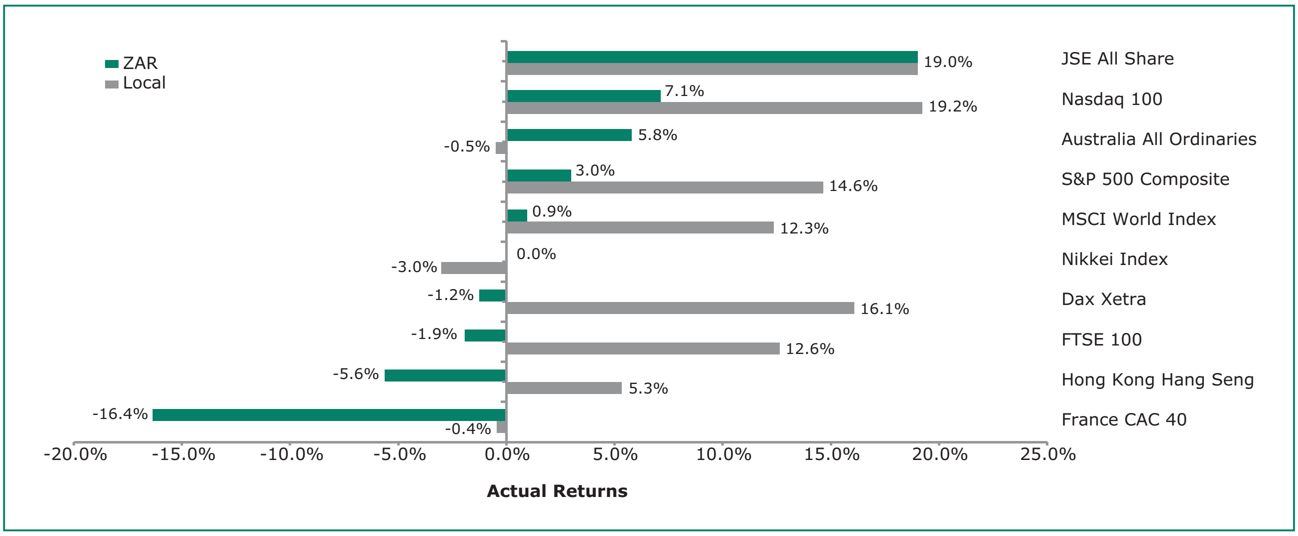


* The Illustrative Maturity Value calculation is based on the allocation amount (gross premiums minus policy charges). These were the IMV rates applicable at inception. As stipulated by the BIA, the IMV rates for new business are currently 4% and 10%, effective from 1 July 2005.

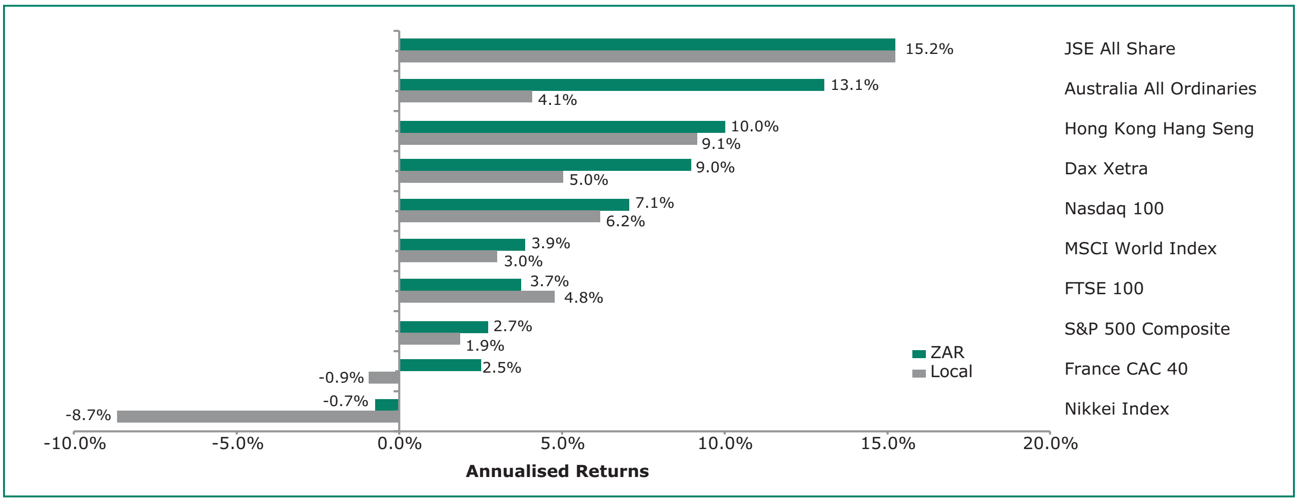
** The policyholder's investment return is based on gross premiums paid.

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

Selected Stock Market Performance (1 Year to 31 December 2010)



Selected Stock Market Performance (5 Years to 31 December 2010)



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. MP = monthly premium, AP = annual premium, SP = 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 Equity Portfolio as an investment option has only been available since February 1990. Longer term returns are based on the equity component of the Balanced Portfolio.
7. The Property Portfolio and the OMD Top 40 Index Fund returns are available at any time.
8. The MSCI World Index is the benchmark for the Worldwide Equity portion. The benchmark for the Worldwide Bond portion consists of 70% JP Morgan Bond Index and 30% Barclays Capital Global Bond Index.

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