

# FLEXI PORTFOLIO PERFORMANCE REPORT



J U N E 2 0 1 1

## South African economic review

- Global macroeconomic concerns barely affected the rand in May. While the currency weakened against the US dollar, it moved basically sideways against most of the other major global currencies. Reasonably good economic news out of South Africa, together with still-firm precious metal prices and relatively high bond yields in a global context, continued to attract inflows into the local bond market and supported the rand.
- Our view that the local recovery remains on track, was borne out by the release of strong GDP data for the first quarter. At a seasonally adjusted annualised rate, GDP expanded by 4.8% in the first quarter, beating consensus estimates of a 4.2% gain. Encouragingly, manufacturing output showed the strongest gains, and all other sectors, bar agriculture and construction, recorded solid quarterly gains. Agricultural output contracted in the first quarter, but this followed on strong gains in 2010. Disappointingly, construction activity is yet to show any signs of recovery. This is a clear sign that government infrastructure activity, which slowed sharply after the Soccer World Cup, is yet to regain momentum. Nevertheless, our long-held view that growth for 2011 will be 3.5% - 4.0% remains on track.
- Inflation is now in a cyclical rising phase. After bottoming at 3.2% in September 2010, it drifted up to 4.2% by April 2011, driven primarily by food and energy prices. While this cyclical rise in inflation was widely expected, it has so far been slower than expected, despite the unexpectedly strong rise in global oil prices. Fortunately the strong rand continues to act as a pretty powerful brake on inflation in a broader context.
- This still implies that a relatively stable rand over the remainder of 2011 is key to inflation prospects for the year. As we expect the rand to remain relatively well behaved during the remainder of the year, we don't expect inflation pressures to build to such an extent as to cause the South African Reserve Bank (SARB) to tighten policy unexpectedly aggressively, or much earlier than currently expected.

*Local recovery remains on track, with the latest data surprising on the upside. However, weakness in a number of areas still stands in the way of a faster recovery. Inflation is on a moderate up-trend and interest rates are expected to start to rise 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	-0.8	2.6	23.2	3.6	12.6	21.5	16.6
JSE Fin & Ind	0.6	4.3	25.6	12.1	14.1	23.5	16.8
JSE All Gold	-4.8	-1.9	3.2	4.4	-1.1	3.1	11.4
All Bond	1.4	2.1	11.5	12.7	8.0	9.5	10.9
Total Cash	0.4	2.0	5.3	7.6	8.2	7.7	8.2
ALSI40	-1.0	3.3	24.2	1.9	12.2	20.9	15.8
INDI25	1.0	6.2	33.4	12.1	18.1	26.3	17.2

**RETIREMENT ANNUITIES TO 01/06/2011 - 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	14.6	17.6	17.6	11.4	13.3	13.3	12.0	14.5	14.5	14.5	6.9	7.4	7.4	4.4	4.8	4.8	4.3		
2 Years	14.2	18.3	18.6	11.2	13.4	13.4	11.2	14.5	14.5	14.5	7.4	7.4	7.5	5.0	5.2	5.5	4.5		
3 Years	13.4	9.6	1.2	10.2	8.6	4.0	10.8	9.0	3.7	3.7	7.4	7.3	7.2	5.7	6.1	6.8	5.6		
5 Years	7.2	6.7	7.3	7.0	6.8	7.2	7.1	6.9	7.7	7.7	8.3	8.9	10.8	6.5	6.5	6.7	6.8		
8 Years	12.1	12.8	16.3	10.4	10.9	13.4	11.1	11.7	14.6	14.6	11.2	11.2	12.0	6.4	6.4	6.3	5.2		
10 Years	12.7	12.4	12.0	10.8	10.6	10.3	11.9	11.8	12.2	12.2	11.1	11.1	10.7	6.4	6.4	6.2	5.7		
15 Years	12.3	11.9	10.9	10.7	10.5	10.1	-	-	-	-	10.8	10.8	10.7	6.6	6.7	7.6	6.0		
20 Years	12.7	12.6	13.4	11.1	11.2	11.8	-	-	-	-	11.3	11.4	12.2	7.9	8.0	9.5	6.9		
25 Years	13.7	13.9	15.7	12.0	12.1	13.2	-	-	-	-	12.6	12.7	14.0	-	-	-	8.5		
<b>INTERIM RATES</b>													6.20% p.a. (0.503% p.m.)			0.303% p.m.			

**ENDOWMENTS / LIFE PORTFOLIOS TO 01/06/2011 - 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	15.8	18.1	18.1	10.9	11.8	11.8	12.2	14.2	14.2	14.2	5.7	6.2	6.2	2.5	2.8	2.8	4.3		
2 Years	14.6	18.2	18.2	9.6	11.4	11.2	10.8	13.7	13.4	13.4	6.2	6.2	6.3	3.0	3.3	3.6	4.5		
3 Years	13.0	9.4	0.6	8.3	6.7	2.2	9.9	8.1	2.6	2.6	6.2	6.1	6.0	3.8	4.2	5.0	5.6		
5 Years	6.6	6.2	6.5	5.4	5.3	5.8	6.1	5.9	6.3	6.3	7.1	7.7	9.6	4.7	4.7	5.0	6.8		
8 Years	11.2	11.8	15.0	8.8	9.3	11.9	9.7	10.4	13.4	13.4	10.0	10.2	11.1	4.7	4.8	4.9	5.2		
10 Years	11.6	11.3	10.8	9.3	9.2	9.1	10.6	10.6	11.2	11.2	10.1	10.1	9.9	4.9	4.9	5.1	5.7		
15 Years	11.1	10.8	9.8	9.5	9.3	8.9	-	-	-	-	10.0	10.0	10.0	5.5	5.6	6.7	6.0		
20 Years	11.6	11.4	12.2	9.9	9.9	10.5	-	-	-	-	10.5	10.5	11.2	6.6	6.7	8.0	6.9		
25 Years	12.5	12.6	14.4	10.6	10.7	11.8	-	-	-	-	11.6	11.7	13.0	-	-	-	8.5		
<b>INTERIM RATES</b>													5.00% p.a. (0.407% p.m.)			0.158% p.m.			
<b>GUARANTEED CAPITAL FUND (CURRENT AFTER-TAX RATE)</b>													4.50% p.a. (0.367% p.m.)						
<b>EQUIVALENT RETURN at the tax rate of 18%</b>													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)	17 (1)	0 (0)	25 (21)	0 (0)	16 (1)	21 (0)	17 (1)	0 (0)	26 (22)
Ordinary Shares	100 (13)	68 (15)	74 (16)	58 (11)	100 (83)	75 (58)	100 (20)	70 (19)	74 (16)	58 (11)	100 (83)	74 (57)
Property	0	10	5	10	0	0	0	10	5	10	0	0
Other	0	4	0	15	0	0	0	4	0	15	0	0

Figures in brackets - international portion of sector weighting

## TOP EQUITY HOLDINGS (SA)

	Name	% Split	Sector
1	MTN Group	10.2	Mobile Telecommunications
2	Anglo American	6.6	General Mining
3	Sasol	6.6	Oil & Gas
4	BHP Billiton	6.2	General Mining
5	Standard Bank	4.3	Banks
6	Naspers	4.2	Media
7	Old Mutual	3.3	Life Insurance
8	SABMiller	3.3	Consumer Goods
9	FirstRand Group	3.0	Banks
10	ABSA	2.6	Banks

## Global economic overview

- The month of May saw a continuation and an intensification of the concerns that plagued global investors in April. These included: the economic implications of the disaster in Japan; sustained high oil prices; rising inflation in many countries; further policy tightening by a number of central banks; a flare-up in concerns over Greece's fiscal position; another warning to US lawmakers (this time by Moody's, following on a similar warning by Standard & Poors earlier) to get the US's fiscal house in order or face an unprecedented sovereign debt rating downgrade; downgrades to 2011 growth forecasts for a number of countries around the world, and growing fears of a sharper slowdown in China, as still rising inflation pressures may force aggressive further policy tightening over the remainder of 2011.
- Whereas global equity markets largely ignored the worsening macroeconomic data flow in April, and instead rallied solidly on the back of solid earnings reports out of the USA, May saw a pretty strong reversal as global macro worries finally took their toll on markets. Contrary to the sell-off in equities, bonds rallied, with the US 10-year yield, for example, falling to just above 3.0% by month-end, versus a recent high of around 3.70% in February.
- Global macro data flow has indeed deteriorated considerably in recent weeks, and a clear growth slowdown is now in place in many countries, with data out of the USA and China causing most concern (partly also because of the sheer importance of both countries to the world economy). As an example of the deteriorating macro conditions, gross domestic product (GDP) growth for the USA for 2011, which was as high as 3.3% still in March, has subsequently been cut back to little over 2.5%. The real uncertainty in investors' minds is whether the current growth momentum loss is yet another temporary slowdown, or the start of a more extended cyclical downturn. We favour the former.
- Meanwhile, global inflation concerns, although easing over the past month as growth slowed and commodity prices eased, still remain very much alive. As a result, the global tightening cycle will continue, although it may also pause in the months to come.

*Global growth fears are rising on weaker incoming macro data, and fears about considerable fiscal tightening around the world. However, we remain confident that the expansion will not be derailed and that the momentum loss currently under way will prove to be temporary.*

## 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	1.6	10.7	14.3	-4.8	3.6	6.3	2.7
JP Morgan	3.7	7.0	-0.3	2.6	7.8	3.9	6.2
S&P 500	2.4	11.1	11.4	-3.2	3.3	3.8	0.6
FTSE 100	1.3	11.9	19.8	-6.2	2.4	6.7	3.7
Nikkei 225	1.9	-2.4	-1.3	-7.7	-2.5	4.6	-0.9
Rand/Dollar	3.6	3.2	-11.2	-3.7	0.4	-2.0	-1.6

## 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	12.8	4.7	4.7	12.5	4.2	4.2	8.0	3.3	3.3	8.4	3.4	3.4
2 Years	9.2	10.6	13.3	8.5	9.4	11.7	5.8	7.2	8.9	5.8	6.7	8.2
3 Years	3.4	1.5	-8.7	2.5	0.5	-9.5	1.7	0.9	-6.0	1.5	0.5	-6.2
5 Years	-1.3	-0.7	0.5	-2.5	-2.2	-2.0	-0.3	0.7	3.1	-0.7	0.2	2.4
8 Years	2.3	3.1	6.5	1.1	1.9	5.6	3.8	4.5	7.4	2.8	3.5	6.0
10 Years	2.2	2.3	1.6	0.8	1.0	0.1	3.3	3.6	2.7	2.4	2.6	1.8
15 Years	3.4	3.8	6.8	2.2	2.6	5.9	4.5	4.9	7.5	3.6	4.1	6.7

## GEOGRAPHICAL SPREAD

	EQUITY PORTION %			BOND PORTION %		
	Fund	MSCI	Difference	Fund	Benchmark <sup>8</sup>	Difference
United States	36.8	43.0	-6.2	40.9	36.3	4.6
Japan	9.6	7.7	1.9	10.8	24.9	-14.2
Europe ex UK	14.2	18.1	-3.9	23.2	28.4	-5.3
United Kingdom	5.8	8.5	-2.7	11.3	5.6	5.6
SE Asia & Canada	10.3	10.9	-0.7	10.7	4.4	6.4
South Africa	16.9	0.0	16.9	0.9	0.1	0.8
Other	6.5	11.8	-5.3	2.3	0.2	2.0
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	9.6	10.0	4.2	1.1	0.7	1.6
Consumer Staples	7.2	9.6	3.3	0.7	0.5	1.3
Energy	9.9	11.9	4.3	1.2	0.7	1.7
Financials	11.9	20.4	5.2	1.5	0.9	2.0
Healthcare	9.1	8.6	4.0	1.1	0.6	1.5
Industrials	10.0	10.8	4.4	1.1	0.7	1.7
Information Technology	13.8	11.5	6.2	1.5	0.9	2.4
Materials	5.9	8.9	2.7	0.6	0.4	1.0
Other	0.3	0.0	0.1	0.0	0.0	0.1
Telecom Services	2.8	4.6	1.2	0.3	0.2	0.5
Utilities	1.5	3.7	0.7	0.2	0.1	0.3
SA Rand Hedge	16.9	0.0	0.0	0.0	0.0	0.0

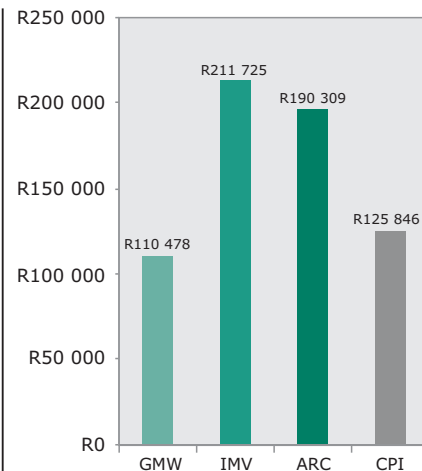
## TOP EQUITY HOLDINGS (GLOBAL)

Name	Sector
1. Royal Dutch Shell	Energy
2. J P Morgan Chase & Co	Financials
3. Conoco Phillips	Energy
4. China Mobile	Telecommunication Services
5. Capital One Financial	Financials
6. IBM	Information Technology
7. Novartis	Pharmaceuticals
8. Microsoft	Information Technology
9. Philip Morris International	Consumer
10. Texas Instruments	Information Technology

## Actual policy payouts

### RETIREMENT ANNUITY (FLEXiPENSION SMOOTHED BONUS) - POLICY NUMBER: 9560149

Monthly premium	R400.00
Entry date	1/6/1995
Maturity date	1/6/2011
Guaranteed Maturity Value (GMV)	R110 478.00
Illustrative Maturity Value (IMV) (@ 12%) *	R211 725.00
Illustrative Maturity Value (IMV) (@ 9%) *	R160 955.00
Total premiums paid	R76 800.00
Retirement age (anb)	57
Actual Retirement Capital (ARC)	R190 308.77
Policyholder's investment return**	10.5% p.a.
Average inflation of policy term (CPI)***	5.9% p.a.

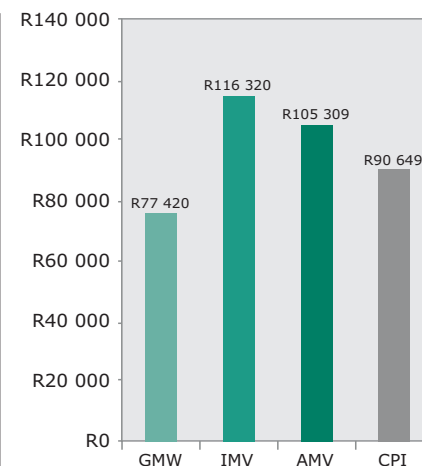


### AN OPTION AT MATURITY (SINGLE LIFE ANNUITY)

One-third cash	R63 436.26
Consideration for annuity	R126 872.51
Gross annuity	R 913.10
After-tax (40%) annuity	R547.86
Net return (after tax)	11.2%

### PURE ENDOWMENT (FLEXiDOWMENT SMOOTHED BONUS) - POLICY NUMBER: 12677503

Monthly premium	R561.16
Entry date	1/6/2001
Maturity date	1/6/2011
Guaranteed Maturity Value (GMV)	R77 420.00
Illustrative Maturity Value (IMV) (@ 12%) *	R116 319.80
Illustrative Maturity Value (IMV) (@ 6%) *	R84 812.00
Total premiums paid	R67 339.20
Actual Maturity Value (AMV)	R105 308.77
Policyholder's investment return**	8.7% 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'S THE PRICE OF PLAYING IT TOO SAFE?

During the past two decades, the local stock market has seen some good returns. Since 1 June 1991, a R10 000 investment in stocks mirroring the JSE All Share Index would have grown to R182 578 by 1 June 2011. This translates into a performance of 15.6% p.a.

Most people correctly understand that the stock market is riskier than other investments. For example, if you had invested R10 000 in a 1-year (year-on-year) fixed deposit at the bank, which is considered to be risk-free, you would not have lost a single cent in any year since 1991. Yet the value of your investment in the bank would have grown to only R87 989 by 1 June 2011, an annualised return of 11.5% p.a.

Determining how much risk is appropriate for your clients' portfolios is a decision each individual must make. It will depend on time horizon, personal goals, and other factors.

Looking at this example from today's perspective, taking zero risk would have cost the investor R94 589. In other words, this 4.1 percentage point per annum differential over two decades only delivered 48% of the proceeds from an equity investment. Had you known in 1991 what you know now, your decision between the stock market and the bank would have been simple.

Of course, that's pure fantasy. You have no way of knowing how the stock market will perform over the next two decades.

If your investment goals are years away, you may be able to accept more risk than others who plan to access their money sooner. However, as you get closer to your investment goal, you may want to shift to more conservative investments because you will have less time to recover from any potential loss.

The amount of risk that's appropriate for you will depend on a range of factors. Knowing your risk tolerance will help you make important investment decisions.

In conclusion, investment needs will differ from one investor to the next. Some investment plans are long term, others are short term. Some investors are willing to accept a higher degree of risk while others are more conservative. So, instead of comparing a pure equity investment to an investment at a bank, which is not comparable in any event, rather look at where these two investment vehicles can complement each other in the client's overall portfolio.

## 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 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 figures for the Worldwide Bond portion consist of 70% JP Morgan Bond Index and 30% Barclays Capital Global Bond Index.

---

### JUNE 2011

Retail Investment Marketing - Mutualpark  
Internet website: [www.oldmutual.co.za](http://www.oldmutual.co.za)