

FLEXI PORTFOLIO PERFORMANCE REPORT



J U N E 2 0 1 0

South African economic review

- The local economy is not only recovering, but growth has in fact surprised strongly on the upside since the final quarter of last year. Gross domestic product (GDP) growth came in at 4.6% annualised during the first quarter of 2010, following on a 3.5% annualised gain in the final quarter of last year. Our growth forecast of 3.5% for the full 2010 calendar year remains unchanged.
- A notable development over the past month is the fact that South Africa (SA) escaped the market panic around the fiscal crisis in Greece largely unscathed. While our equity market declined with global markets, neither the rand nor government bond yields reacted materially to the crisis. In the past, the rand and government bond yields were often very vulnerable to such bouts of market panic. The stability in local markets over the past month is thus a welcome sign that investors are taking a more positive view on SA's medium-term economic prospects.
- Inflation eased to 4.8% in April, the lowest level since mid-2006 and well down on the cyclical peak of 13.6% in August 2008. Our long-held view that inflation will ease sharply on account of the strong rand, decelerating food inflation and a relatively slow recovery in consumer spending is playing out. We expect inflation to level out around 4.5% in the months to come. A moderate rise is expected during the second half of the year.
- Looking further out, a potential implication of the Greek fiscal crisis is that emerging markets, with better growth prospects, generally better fiscal positions and better population dynamics, will not only continue to outperform the developed world as far as economic growth is concerned, but the already large growth gap may widen. This may imply continued capital flows to emerging markets and relatively stable, or firm, currencies. Should this scenario indeed play out, SA - and hence the rand - may also benefit. Local interest rates are expected to remain unchanged over the remainder of the year. We expected rates to rise in 2011 but, barring a currency shock, the tightening cycle is unlikely to start before the second quarter of 2011.

The local economy is recovering and indications are that it is surprising consensus views on the upside. Although the rand is firm and inflation prospects for the next few months are good, interest rates are likely to remain unchanged over the remainder of 2010.

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	-5.1	-0.9	21.9	1.0	17.7	15.0	17.3
JSE Fin & Ind	-4.2	2.8	30.7	2.4	17.0	17.2	14.9
JSE All Gold	6.6	6.9	-7.3	-0.5	10.0	-1.4	13.5
All Bond	-0.4	5.3	9.3	7.7	8.0	11.1	12.8
Total Cash	0.5	2.5	6.5	9.2	8.3	8.5	8.6
ALSI40	-5.7	-2.5	19.6	0.5	17.0	13.7	16.9
INDI25	-3.7	0.8	28.2	5.4	19.3	16.8	13.6



RETIREMENT ANNUITIES TO 01.06.2010 - Refer Notes

Period	PERFORMANCE PROFITS												SMOOTHED BONUS			STABLE FUND			CPI
	Equity %				Balanced %				Select %				%			%			
	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.	M.P.	A.P.	S.P.	
1 Year	8.0	19.5	19.5	7.0	13.4	13.4	4.7	14.6	14.6	14.6	14.6	6.6	6.8	6.8	6.0	6.1	6.1	6.1	4.6
2 Years	9.4	2.5	-6.2	7.1	4.2	-0.4	7.2	3.9	-1.4	-1.4	-1.4	6.7	6.7	6.7	7.0	7.3	7.8	7.8	6.3
3 Years	2.3	-0.3	-3.3	3.5	2.5	0.8	2.8	1.5	-0.9	-0.9	-0.9	7.1	7.6	8.4	7.4	7.5	7.6	7.6	7.6
5 Years	4.7	5.7	11.8	5.6	6.4	10.4	5.4	6.3	10.7	10.7	10.7	10.3	10.9	13.4	7.2	7.1	6.8	6.7	6.7
8 Years	11.8	11.4	10.8	10.3	10.1	9.5	11.2	11.1	11.2	11.2	12.4	11.6	11.8	11.4	6.8	6.8	6.6	5.6	5.6
10 Years	11.8	11.5	11.9	10.3	10.1	10.5	11.6	11.6	12.4	12.4	12.4	11.6	11.5	11.2	6.6	6.6	6.3	5.9	5.9
15 Years	11.6	11.3	11.6	10.4	10.3	10.8	-	-	-	-	-	11.1	11.2	11.3	7.1	7.2	8.4	6.1	6.1
20 Years	12.5	12.3	12.6	11.1	11.1	11.5	-	-	-	-	-	11.8	11.8	12.7	-	-	-	7.5	7.5
25 Years	14.0	14.3	16.7	13.0	13.1	14.6	-	-	-	-	-	13.1	13.3	14.5	-	-	-	9.0	9.0
INTERIM RATES	6.20% p.a. (0.503% p.m.)																		
	0.488% p.m.																		

ENDOWMENTS/LIFE PORTFOLIOS TO 01.06.2010 - Refer Notes

Period	PERFORMANCE PROFITS												SMOOTHED BONUS			STABLE FUND			CPI
	Equity %				Balanced %				Select %				%			%			
	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.	M.P.	A.P.	S.P.	
1 Year	7.4	18.4	18.4	4.6	10.5	10.5	3.4	12.5	12.5	12.5	12.5	5.4	5.6	5.6	4.1	4.4	4.4	4.4	4.6
2 Years	7.8	1.5	-7.1	4.6	2.0	-2.3	5.4	2.4	-2.7	-2.7	-2.7	5.5	5.5	5.5	5.2	5.6	6.1	6.1	6.3
3 Years	1.0	-1.3	-4.3	1.6	0.7	-0.5	1.5	0.3	-1.7	-1.7	-1.7	5.9	6.4	7.2	5.7	5.8	5.9	5.9	7.6
5 Years	3.6	4.7	10.7	4.0	4.8	9.1	3.9	4.8	9.3	9.3	9.3	9.1	9.7	12.3	5.6	5.5	5.2	6.7	6.7
8 Years	10.4	10.0	9.2	8.8	8.6	8.4	9.6	9.6	10.1	10.1	10.1	10.9	10.9	10.6	5.3	5.3	5.4	5.6	5.6
10 Years	10.4	10.2	10.6	8.9	8.9	9.6	10.2	10.2	11.2	11.2	11.2	10.7	10.6	10.4	5.3	5.4	5.5	5.9	5.9
15 Years	10.3	10.1	10.4	9.2	9.1	9.5	-	-	-	-	-	10.4	10.4	10.6	6.1	6.2	7.2	6.1	6.1
20 Years	11.2	11.0	11.3	9.8	9.8	10.0	-	-	-	-	-	10.9	11.0	11.7	-	-	-	7.5	7.5
25 Years	12.7	13.0	15.4	11.5	11.7	13.4	-	-	-	-	-	12.1	12.3	13.5	-	-	-	9.0	9.0
INTERIM RATES	5.00% p.a. (0.407% p.m.)																		
	0.276% 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 Bal. %	PP Select %	Smoothed Bonus %	WW Equity %	WW Bal. %	PP Equity %	PP Bal. %	PP Select %	Smoothed Bonus %	WW Equity %	WW Bal. %
Interest-bearing	0 (0)	19(1)	21(0)	19(1)	0(0)	28(23)	0(0)	17(1)	21(0)	17(1)	0(0)	28(24)
Ordinary Shares	100(13)	68(12)	71(15)	68(12)	100(83)	72(57)	100(19)	69(18)	71(15)	69(18)	100(84)	72(57)
Property	0	10	8	10	0	0	0	11	8	11	0	0
Other	0	3	0	3	0	0	0	3	0	3	0	0

Figures in brackets – international portion of sector weighting

TOP EQUITY HOLDINGS (SA)

Name	% Split	Sector
1. MTN Group	9.0	Mobile Telecommunications
2. Anglo American	6.0	General Mining
3. Sasol	5.8	Oil & Gas
4. Standard Bank	5.5	Banks
5. BHP Billiton	4.6	General Mining
6. FirstRand Group	4.3	Banks
7. Naspers	3.9	Media
8. Old Mutual	2.9	Life Insurance
9. ABSA	2.6	Banks
10. SABMiller	2.4	Consumer Goods

Global economic overview

- May was an awful month for global equity markets. The Morgan Stanley World Index, denominated in US dollars, fell by no less than 10% between the end of April and the end of May.
- The fundamental backdrop of the stock market rout was a deepening of the crisis in the Euro-area (EU). Not even the announcement of a €750bn bail-out package for Greece could calm investors' nerves. Having been hurt badly by underestimating the economic and market impact of the sub-prime crisis, worries of a severe growth slump in the EU from fiscal tightening and ongoing concerns over an eventual default by Greece left investors in no mood to hang on to risky assets. Rising geo-political tensions on the Korean Peninsula fuelled the panic further.
- With dark economic clouds hanging over the EU, the euro slumped from \$1.35/€ at the end of April to around \$1.21/€ by the end of May. This left the euro far off the recent peak of \$1.50/€ reached in November 2009.
- Despite the panic in financial markets, economic data remains generally solid and data released over the past month indicated that the global recovery is still very much alive, with little sign of any meaningful loss of momentum. A few central banks in the developing world tightened policy further over the past month owing to strong economic growth and/or inflation concerns, but the central banks in the developed world are in no hurry to raise rates.
- Looking forward we remain of the opinion that the troubles in Europe and recent market sell-off will not derail the global recovery. Despite the past month's panic, the global recovery remains on track, although the pace will likely slow from the strong recovery over the past year or so. We think chances of a renewed full-blown global economic downturn are fairly slim.
- Commodity prices declined over the past month as the dollar strengthened and concerns mounted about global economic prospects. Gold, however, bucked the trend and rose sharply over the month, buoyed by investors seeking a safe haven from the turmoil in equity markets.

Despite severe turmoil in global equity markets, incoming data indicates the global recovery remains on track. While growth will likely slow over the remainder of 2010, a full-blown global downturn is unlikely.

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	-5.4	-2.2	9.3	-7.8	4.2	0.8	1.1
JP Morgan	3.7	2.7	-2.2	10.3	7.6	4.2	7.8
S&P 500	-3.8	2.9	15.8	-6.3	3.0	-0.8	0.2
FTSE 100	-6.9	-8.4	5.0	-11.2	2.7	0.8	2.1
Nikkei 225	-4.7	-1.1	2.9	-7.5	3.2	-1.4	-2.4
Rand/Dollar	4.5	4.4	-4.3	2.6	2.6	-2.9	1.0

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	-4.3	7.3	7.3	-5.0	5.9	5.9	-3.2	5.6	5.6	-3.6	4.7	4.7
2 Years	-6.4	-9.3	-18.9	-7.7	-10.2	-19.6	-5.3	-6.5	-13.1	-5.9	-6.9	-13.4
3 Years	-10.1	-10.9	-12.9	-11.1	-11.7	-13.6	-6.7	-6.8	-7.2	-7.3	-7.3	-7.7
5 Years	-5.7	-4.6	1.4	-7.5	-6.4	-0.1	-1.9	-0.8	4.2	-2.8	-1.7	3.1
8 Years	-0.2	-0.8	-0.8	-1.7	-2.3	-2.6	2.5	1.9	0.8	1.2	0.8	-0.3
10 Years	-0.2	-0.5	-0.1	-1.7	-2.0	-1.5	2.1	1.9	1.7	0.9	0.8	0.8

GEOGRAPHICAL SPREAD

	EQUITY PORTION %			BOND PORTION %		
	Fund	MSCI	Difference	Fund	Benchmark ⁸	Difference
	United States	42.5	50.6	-8.1	43.8	37.6
Japan	7.7	10.4	-2.6	6.3	24.5	-18.2
Europe ex UK	14.4	18.9	-4.5	29.7	28.3	1.4
United Kingdom	6.7	9.4	-2.7	9.7	5.4	4.4
SE Asia & Canada	9.8	10.7	-1.0	8.4	4.1	4.3
South Africa	16.7	0.0	16.7	0.8	0.1	0.7
Other	2.1	0.0	2.1	1.4	0.2	1.2
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	0.5	0.0	0.3	0.0	0.0	0.1
Consumer Discretionary	10.3	10.1	5.2	1.0	0.8	1.8
Consumer Staples	5.5	10.2	2.8	0.5	0.4	0.9
Energy	9.5	10.4	4.8	0.9	0.8	1.7
Financials	13.6	20.6	6.9	1.3	1.1	2.4
Healthcare	9.3	9.8	4.8	0.9	0.7	1.6
Industrials	11.3	11.1	5.8	1.1	0.9	2.0
Information Technology	12.5	12.2	6.4	1.2	1.0	2.1
Materials	5.1	7.3	2.6	0.5	0.4	0.9
Other	1.3	0.0	0.7	0.1	0.1	0.2
Telecoms Services	2.8	4.1	1.5	0.3	0.2	0.4
Utilities	1.5	4.3	0.8	0.1	0.1	0.2
Exchange Traded Funds	0.0	0.0	0.0	0.0	0.0	0.0
SA Rand Hedge	16.7	0.0	0.0	0.0	0.0	0.0

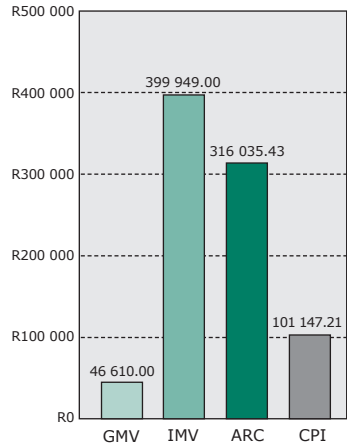
TOP EQUITY HOLDINGS (GLOBAL)

Name	Sector
1. IBM	Information Technology
2. Chevron	Energy
3. Conoco Phillips	Basic Materials
4. Emerging Market ETF	ETF
5. Microsoft	Information Technology
6. Johnson & Johnson	Consumer Goods
7. Royal Dutch Shell	Energy
8. J P Morgan Chase & Co	Financial Services
9. AT&T Inc	Telecommunications
10. Bristol Myers Squibb	Healthcare

Actual policy payouts

RETIREMENT ANNUITY (FLEXiPENSION SMOOTHED BONUS) - POLICY NUMBER: 5341811

Single premium	R16 177.00
Entry date	1/6/1987
Maturity date	1/6/2010
Guaranteed Maturity Value (GMV)	R46 610.00
Illustrative Maturity Value (IMV) (@15%)*	R399 949.00
Illustrative Maturity Value (IMV) (@12%)*	R217 221.00
Total premiums paid	R16 177.00
Retirement age (anb)	56
Actual Retirement Capital (ARC)	R316 035.43
Policyholder's investment return**	13.8% p.a.
Average inflation of policy term (CPI)***	8.3% p.a.

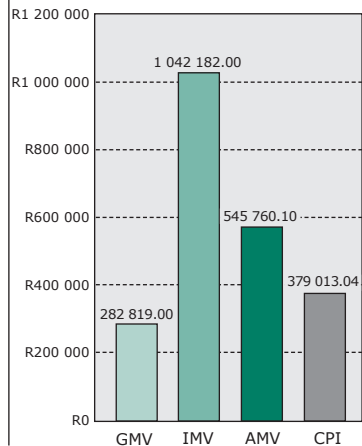


AN OPTION AT MATURITY (Single Life Annuity)

One-third cash	R105 345.14
Consideration for annuity	R210 690.29
Gross annuity	R 1 598.27
After-tax (40%) annuity	R 958.96
Net return (after tax)	14.1%

PURE ENDOWMENT (FLEXiDOWMENT PERF. PROFITS BALANCED) - POLICY NUMBER: 6667399

Annual premium	R9 155.52
Entry date	1/6/1990
Maturity date	1/6/2010
Guaranteed Maturity Value (GMV)	R282 819.00
Illustrative Maturity Value (IMV) (@15%)*	R1 042 182.00
Illustrative Maturity Value (IMV) (@12%)*	R713 514.00
Total premiums paid	R183 110.40
Actual Maturity Value (AMV)	R545 760.10
Policyholder's investment return**	9.5% p.a.
Average inflation of policy term (CPI)***	6.5% 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 1990, a R10 000 investment in stocks mirroring the JSE All Share Index would have grown to R150 556 by 1 June 2010. This translates into a performance of 14.5% 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 1990. Yet the value of your investment in the bank would have grown to only R104 389 by 1 June 2010, an annualised return of 12.8% 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 R46 168. In other words, this 2.1% per annum differential over two decades only delivered 69% of the proceeds from an equity investment. Had you known in 1990 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 are 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 and S.P. = single premium.
5. The Flexi range of products was launched on 1 September 1984. Returns for 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 Global Bond Index.

June 2010

Retail Investments Marketing – Mutualpark
Internet website: www.oldmutual.co.za