

FLEXI PORTFOLIO PERFORMANCE REPORT



M A R C H 2 0 1 1

South African economic review

- The key local event in February was the Budget. While financial markets reacted very little to the budget proposals, commentators were generally far more critical. In particular, the upward revision to the projected budget deficits over the next three years is of concern. While the deficit is still projected to decline over this period, deficit reduction is now only expected to start in 2012/13 and will take place at a slower pace than previously projected. The deficit for the 2011/12 fiscal year is projected to be over 5% of gross domestic product (GDP), uncomfortably large two years into the economic recovery. The concern is that sustained strong gains in current spending by Government will eventually end up in permanently larger deficits and/or a further rise in the tax burden and/or cutbacks in spending on infrastructure. Any or all of these will hold serious negative long-term implications for SA's growth prospects.
- February also saw a gradual recovery of the rand, following the sell-off in January. Rising commodity prices, good foreign trade data and a perception that South Africa (SA) is not particularly susceptible to Middle East-type political troubles probably contributed to the currency's recovery. Nevertheless, we remain of the opinion that it remains overvalued, and that a moderately softer rand will do more good than harm to local economic prospects over the medium term.
- The news on the local economy over the past month was generally good. Our assessment over the past few months that local economic growth probably accelerated quite firmly in the fourth quarter of 2010 was confirmed, with a 4.4% annualised number being released. For the full 2010 calendar year GDP is estimated to have increased by about 2.8%. We maintain our long-held view that growth will improve moderately in 2011, and our projection of little over 3.5% remains unchanged.
- A relatively stable rand over the remainder of 2011, following the recent weakening, is indeed key to inflation prospects in 2011. The surge in global food and energy prices, together with the recent weakening of the rand, has already started to put upward pressure on the petrol price as well as local maize and wheat prices. While we are still forecasting a relatively moderate rise in inflation to about 5% by 2011 year-end from the current 3.5%, we are concerned that inflation risks are now skewed to the upside. Interest rates will remain on hold for some time to come still, but the first hike in rates may occur somewhere between the fourth quarter of 2011 and the opening months of 2012.

The local recovery gathered momentum in the fourth quarter of 2010. Together with oil and food prices rising, the focus has turned back to the timing of the start of the interest rate up-cycle in SA. We expect this to start around the turn of the year.

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	2.8	0.6	23.6	4.6	14.1	21.7	16.9
JSE Fin & Ind	1.1	-2.2	21.3	10.2	13.1	23.3	16.1
JSE All Gold	9.7	2.8	27.4	4.0	1.1	2.3	13.3
All Bond	0.1	-2.0	10.1	9.8	7.1	9.6	10.7
Total Cash	0.4	0.8	5.6	8.1	8.2	7.9	8.3
ALSI40	3.3	1.6	23.9	3.5	14.0	21.1	16.2
INDI25	2.5	-1.7	26.9	12.9	16.6	25.3	15.9

RETIREMENT ANNUITIES TO 01/03/2011 - 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	15.0	15.0	11.9	11.8	11.8	11.6	10.6	10.6	10.6	7.6	7.9	7.9	5.1	5.3	5.3	3.5		
2 Years	18.1	23.3	26.7	12.9	15.1	16.5	13.3	17.0	19.7	19.7	7.7	7.7	7.6	5.5	5.8	5.9	4.5		
3 Years	12.1	12.3	1.5	9.3	9.3	3.8	9.7	9.9	3.1	3.1	7.5	7.4	7.2	6.3	6.5	7.2	5.9		
5 Years	6.9	8.3	8.0	6.8	7.5	7.7	6.8	7.5	7.7	7.7	8.9	9.5	11.7	6.8	6.7	6.7	6.7		
8 Years	12.8	13.2	16.6	10.8	11.0	13.7	11.5	11.7	14.7	14.7	11.5	11.5	12.0	6.5	6.5	6.4	5.1		
10 Years	12.8	12.6	12.0	10.8	10.7	10.3	12.0	12.0	12.4	12.4	11.3	11.3	10.9	6.5	6.5	6.3	5.7		
15 Years	12.2	11.9	10.8	10.7	10.5	9.9	-	-	-	-	10.9	10.9	10.9	6.8	6.9	7.8	6.0		
20 Years	12.8	12.9	13.9	11.2	11.2	12.4	-	-	-	-	11.5	11.5	12.3	8.0	8.2	9.7	7.0		
25 Years	13.8	14.2	15.8	12.1	12.3	13.4	-	-	-	-	12.7	12.9	14.2	-	-	-	8.5		
INTERIM RATES													6.20% p.a. (0.503% p.m.)			0.373% p.m.			

ENDOWMENTS / LIFE PORTFOLIOS TO 01/03/2011 - 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	16.5	14.6	14.6	10.5	9.5	14.1	10.8	9.7	9.7	9.7	6.4	6.7	6.7	3.0	3.2	3.2	3.5		
2 Years	17.8	21.9	24.9	10.6	12.2	15.1	12.1	15.2	17.6	17.6	6.5	6.5	6.4	3.5	3.8	4.1	4.5		
3 Years	11.4	11.3	0.8	7.2	7.0	1.9	8.4	8.5	1.9	1.9	6.3	6.2	6.0	4.4	4.6	5.4	5.9		
5 Years	6.2	7.4	7.3	5.1	5.8	6.2	5.6	6.2	6.3	6.3	7.7	8.3	10.6	5.0	5.0	5.0	6.7		
8 Years	11.6	12.0	15.2	9.2	9.4	12.1	10.0	10.3	13.5	13.5	10.4	10.5	12.0	4.9	4.9	5.1	5.1		
10 Years	11.7	11.4	10.8	9.4	9.2	9.0	10.6	12.7	11.2	11.2	10.3	10.3	10.1	5.0	5.0	5.2	5.7		
15 Years	11.1	10.8	9.6	9.5	9.2	8.7	-	-	-	-	10.2	10.2	10.2	5.7	5.8	6.8	6.0		
20 Years	11.6	11.7	12.7	9.9	9.9	11.1	-	-	-	-	10.6	11.5	12.3	6.8	6.9	8.2	7.0		
25 Years	12.6	12.9	14.5	10.7	10.8	12.0	-	-	-	-	11.7	11.9	13.2	-	-	-	8.5		
INTERIM RATES													5.00% p.a. (0.407% p.m.)			0.210% 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)	19 (1)	22 (0)	17 (1)	0 (0)	25 (20)	0 (0)	15 (1)	21 (0)	17 (1)	0 (0)	25 (21)
Ordinary Shares	100 (13)	68 (12)	73 (16)	58 (9)	100 (84)	75 (59)	100 (20)	72 (18)	74 (16)	58 (9)	100 (84)	75 (58)
Property	0	9	5	9	0	0	0	9	5	9	0	0
Other	0	4	0	16	0	0	0	4	0	16	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	7.2	General Mining
3	Sasol	7.1	Oil & Gas
4	BHP Billiton	6.3	General Mining
5	Standard Bank Group	4.4	Banks
6	Naspers	4.1	Media
7	FirstRand Group	3.3	Banks
8	Old Mutual	3.3	Life Insurance
9	SABMiller	2.8	Consumer Goods
10	ABSA	2.3	Banks

Global economic overview

- February will best be remembered for the continuation and spread of political troubles in the Middle East and North Africa. Pro-democracy social unrest, which had already caused the resignation of leaders in Tunisia and Egypt, caught on in other countries in the area, most notably Libya, Bahrain, Algeria and Oman. Concerns about disruptions to global oil supply flared up as reports circled that output in Libya, which produces about 2% of the global total, had almost halved by late February. In reaction oil prices spiked, reaching almost \$120 per barrel at one stage, before easing off on reports that Saudi Arabia was increasing production to ensure sustained supplies. With the situation in the Middle East very fluid, there is great investor uncertainty about how long this current situation may last and how badly the world economy will be affected via a possible further rise in oil prices and/or a disruption in oil supplies
- In addition to the short-term risks and uncertainties to the global economic outlook, the unrest also raised some questions about the political stability of developing countries in general and what the economic policy implications would be over the medium term. We think it will raise the urgency in developing countries to keep economic growth going and to achieve a more equal distribution of income. This, in turn, may also imply more lax policies than would have been the case otherwise. At the same time, though, great care will have to be taken to ensure price stability as inflation and price shocks have proved to be a potential trigger of political instability.
- Global equity markets reflected the growing global risks from the situation in the Middle East, rising oil and food prices, the continued tightening of monetary policy in the developing world and ongoing fiscal tightening in the developed world. As a result, equity prices extended their January declines, although the sell-off was fairly moderate as the still-solid global recovery, good earnings reports and unattractive alternative investment options lent some support.
- Despite the building risks and headwinds for the world economy, incoming data suggests the global expansion is alive and well, with the developed world, in particular, now delivering the marginal growth surprise. While risks have risen in recent weeks, we remain confident that the recent developments will not entirely derail the global recovery, but this requires calm to return to the Middle East soon, allowing oil prices to ease.

Recent troubles in the Middle East, rising oil prices and ongoing policy tightening have clouded the outlook for the world economy. We remain confident, though, that the expansion will not be derailed.

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	0.1	11.1	10.7	-3.4	5.8	8.2	3.0
JP Morgan	-3.0	5.2	-4.1	0.8	9.8	4.4	6.0
S&P 500	-0.1	11.0	10.5	-2.0	4.9	5.6	1.1
FTSE 100	0.7	11.2	11.7	-5.7	5.4	8.7	3.8
Nikkei 225	0.3	7.8	3.0	-3.9	0.8	5.9	0.6
Rand/Dollar	-3.4	4.9	-9.5	-3.7	2.4	-1.9	-1.1

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	16.1	6.5	6.5	15.4	5.7	5.7	11.5	3.7	3.7	11.8	3.6	3.6
2 Years	11.6	10.1	11.7	10.6	8.4	9.7	7.9	5.4	6.2	7.7	5.0	5.7
3 Years	3.1	1.7	-7.6	2.1	0.4	-8.5	1.9	0.6	-4.5	1.6	0.2	-4.9
5 Years	-0.9	0.0	1.8	-2.3	-1.5	-0.5	0.5	1.3	4.4	0.0	0.7	3.6
8 Years	2.8	3.2	5.8	1.5	1.9	4.7	4.4	4.6	6.5	3.3	3.5	5.2
10 Years	2.4	2.4	1.8	1.0	1.0	0.3	3.7	3.6	2.9	2.7	2.6	2.1

GEOGRAPHICAL SPREAD

	EQUITY PORTION %			BOND PORTION %		
	Fund	MSCI	Difference	Fund	Benchmark ⁸	Difference
United States	38.6	42.9	-4.3	38.6	36.6	2.0
Japan	9.0	8.7	0.3	8.1	25.2	-17.2
Europe ex UK	14.1	17.9	-3.8	26.5	28.0	-1.5
United Kingdom	6.4	8.4	-2.1	10.2	5.6	4.6
SE Asia & Canada	9.5	10.3	-0.8	13.3	4.3	9.0
South Africa	16.4	0.0	16.4	0.9	0.1	0.8
Other	6.0	11.8	-5.8	2.4	0.2	2.2
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	0.6	0.0	0.3	0.1	0.0	0.1
Consumer Discretionary	10.2	9.8	4.7	1.1	0.8	1.7
Consumer Staples	5.3	9.0	2.5	0.6	0.4	0.9
Energy	9.9	12.2	4.6	1.1	0.8	1.6
Financials	13.0	21.1	6.0	1.5	1.0	2.1
Healthcare	8.4	8.0	3.8	0.9	0.7	1.4
Industrials	10.4	10.8	4.8	1.1	0.8	1.8
Information Technology	15.0	11.9	6.9	1.6	1.1	2.6
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
Telecoms Services	3.0	4.5	1.4	0.3	0.2	0.5
Utilities	1.5	3.9	0.7	0.2	0.1	0.3
SA Rand Hedge	16.4	0.0	0.0	0.0	0.0	0.0

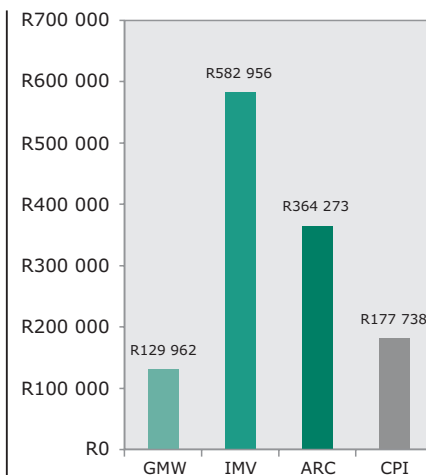
TOP EQUITY HOLDINGS (GLOBAL)

Name	Sector
1. IBM	Information Technology
2. Conoco Phillips	Basic Materials
3. China Mobile	Telecommunication Services
4. Capital One Financial	Financials
5. Microsoft	Information Technology
6. Chevron	Energy
7. Texas Instruments	Electronics
8. Samsung Electronics	Electronics
9. Novartis	Pharmaceuticals
10. Carnival Corp	Consumer Services

Actual policy payouts

RETIREMENT ANNUITY (FLEXiPENSION PERF. PROFITS BALANCED) - POLICY NUMBER: 5249982

Annual premium	R250.00
Entry date	1/3/1987
Maturity date	1/3/2011
Guaranteed Maturity Value (GMV)	R129 962.00
Illustrative Maturity Value (IMV) (@ 15%) *	R582 956.00
Illustrative Maturity Value (IMV) (@ 12%) *	R368 305.00
Total premiums paid	R72 000.00
Retirement age (anb)	56
Actual Retirement Capital (ARC)	R364 273.35
Policyholder's investment return**	11.8% p.a.
Average inflation of policy term (CPI)***	6.9% p.a.

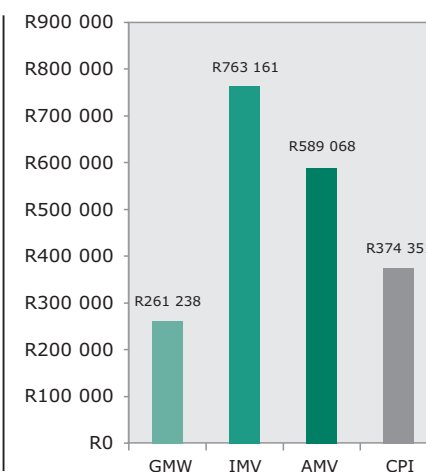


AN OPTION AT MATURITY (SINGLE LIFE ANNUITY)

One-third cash	R121 424.45
Consideration for annuity	R242 848.90
Gross annuity	R1 961.22
After-tax (40%) annuity	R1 176.73
Net return (after tax)	12.5%

PURE ENDOWMENT (FLEXiDOWMENT SMOOTHED BONUS) - POLICY NUMBER: 10145777

Single premium	R140 000.00
Entry date	1/3/1996
Maturity date	1/3/2011
Guaranteed Maturity Value (GMV)	R261 238.00
Illustrative Maturity Value (IMV) (@ 12%) *	R763 161.00
Illustrative Maturity Value (IMV) (@ 9%) *	R507 754.00
Total premiums paid	R140 000.00
Actual Maturity Value (AMV)	R589 067.65
Policyholder's investment return**	10.1% p.a.
Average inflation of policy term (CPI)***	6.8% 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

SMOOTHED BONUS PORTFOLIO DECLARATIONS SINCE INCEPTION (1984)

Year Ended	RETIREMENT ANNUITIES			ENDOWMENTS/LIFE		
	Vesting Bonus %	Claim Bonus %	Total Bonus %	Vesting Bonus %	Claim Bonus %	Total Bonus %
30 June 1985	11.00%	6.00%	17.00%	10.00%	6.00%	16.00%
30 June 1986	11.00%	9.00%	20.00%	10.00%	10.00%	20.00%
30 June 1987	11.00%	14.00%	25.00%	10.00%	15.00%	25.00%
30 June 1988	11.00%	7.00%	18.00%	9.00%	8.00%	17.00%
30 June 1989	11.00%	14.00%	25.00%	9.00%	15.00%	24.00%
30 June 1990	11.00%	11.50%	22.50%	9.00%	12.00%	21.00%
30 June 1991	11.00%	8.00%	19.00%	9.00%	8.00%	17.00%
30 June 1992	11.00%	6.50%	17.50%	9.00%	6.50%	15.50%
30 June 1993	10.00%	5.00%	15.00%	8.00%	4.50%	12.50%
30 June 1994	10.00%	8.00%	18.00%	8.00%	8.00%	16.00%
30 June 1995	10.00%	5.00%	15.00%	8.00%	5.00%	13.00%
30 June 1996	9.50%	8.00%	17.50%	8.00%	8.00%	16.00%
30 June 1997	8.50%	7.50%	16.00%	8.00%	7.50%	15.50%
30 June 1998	0.00%	5.50%	5.50%	0.00%	5.00%	5.00%
30 June 1999	0.00%	7.25%	7.25%	0.00%	7.00%	7.00%
30 June 2000	6.25%	6.00%	12.25%	6.00%	6.00%	12.00%
30 June 2001	6.25%	6.00%	12.25%	6.00%	6.00%	12.00%
31 Dec 2001	6.50%	6.00%	12.50%	6.00%	6.00%	12.00%
31 Dec 2002	0.00%	2.50%	2.50%	0.00%	2.00%	2.00%
31 Dec 2003	2.40%	3.00%	5.40%	2.00%	3.00%	5.00%
31 Dec 2004	3.40%	7.00%	10.40%	3.00%	7.00%	10.00%
31 Dec 2005	6.40%	12.00%	18.40%	6.00%	12.00%	18.00%
31 Dec 2006	11.00%	14.00%	25.00%	10.00%	14.00%	24.00%
31 Dec 2007	7.20%	9.00%	16.20%	6.00%	9.00%	15.00%
31 Dec 2008	3.20%	3.00%	6.20%	2.00%	3.00%	5.00%
31 Dec 2009	3.20%	4.00%	7.20%	2.00%	4.00%	6.00%
31 Dec 2010	4.20%	4.00%	8.20%	3.00%	4.00%	7.00%
Interim			6.20%			5.00%

The claim bonus is not guaranteed and may be reduced or removed if economic circumstances warrant this. However, the vesting bonus vests. These rates are quoted as annualised returns. Capital Gains Tax has been allowed for.

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

MARCH 2011

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