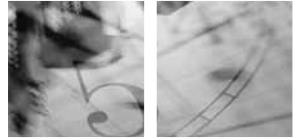


# FLEXI PORTFOLIO PERFORMANCE REPORT



OCTOBER 2011

## SOUTH AFRICAN ECONOMIC REVIEW

- After the momentum loss in local growth experienced during the second quarter, expectations were that growth would rebound during the third quarter. However, incoming data suggests that such a rebound is by no means going to be very strong. Continued weakness in manufacturing and mining production, electricity generated and construction will likely keep GDP growth fairly muted. Thankfully, there has been some rebound between the second and third quarters in vehicle and retail sales.
- Ongoing weakness in investment and exports (the outlook for the latter now looking even bleaker given the global growth slowdown), combined with the downward revision of Q1 growth, will cause growth for the full year to come in around 3.3% – lower than our long-held 3.7% forecast. The global economic slowdown will probably limit local growth in 2012 to roughly the same rate as in 2011.
- Recent market volatility around the ongoing European debt crisis has led to a renewed bout of risk aversion. As part of this flight of capital away from risky assets (read emerging economies), the rand has weakened markedly from the strength seen early in the year. However, local fundamentals remain healthy – e.g. SA's government debt to GDP ratio is far lower than that of most other countries – plus very healthy returns locally versus elsewhere should help the rand regain some stability.
- With growth slowing, interest rate expectations have softened sharply, with many analysts now predicting that rates will not begin to rise before well into 2012. There is even speculation about another rate cut in coming months. While we agree with the first view, we do not think a rate cut is likely unless the local economy weakens sharply further in Q3. The problem is that inflation is still rising and medium-term inflation risks remain considerable.

*The local recovery remains on track, although growth has slowed and will likely remain unexciting despite some rebound in the second half of 2011. Growth for the full year will be around 3.3%. Interest rates are likely to remain on hold until deep into 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	-3.6	-5.4	3.6	10.6	8.8	19.5	17.2
JSE Fin & Ind	-3.0	-0.4	4.8	14.2	11.1	21.8	17.7
JSE All Gold	5.7	6.1	12.6	16.2	1.1	2.8	10.9
All Bond	-2.1	5.1	5.9	10.0	9.0	9.2	10.2
Total Cash	0.4	3.7	5.0	6.8	8.0	7.4	8.1
ALSI40	-4.0	-5.8	3.6	9.4	7.9	18.9	16.5
INDI25	-3.4	1.4	8.8	17.0	14.5	24.0	19.2

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RETIREMENT ANNUITIES TO 01/10/2011 - 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.	M.P.	A.P.		S.P.	%								
1 Year	-5.0	2.9	2.9	0.1	4.6	4.6	-2.7	3.0	3.0	3.0	3.0	6.4	6.7	6.7	6.7	3.9	4.2	4.2	3.9	4.2	4.2	4.2	5.4								
2 Years	3.5	6.3	7.9	5.1	6.6	7.5	3.3	5.1	6.1	6.1	7.0	7.1	7.1	7.3	4.5	4.7	5.0	4.5	4.7	5.0	5.0	4.3									
3 Years	8.8	6.7	7.0	7.6	6.6	6.7	7.0	5.6	6.0	6.0	7.2	7.2	7.2	7.2	5.1	5.5	6.2	5.1	5.5	6.2	6.2	4.9									
5 Years	3.9	3.9	4.0	5.1	5.2	5.5	4.3	4.7	6.0	6.0	7.7	8.2	9.6	9.6	6.1	6.2	6.7	6.1	6.2	6.7	6.7	6.6									
8 Years	9.2	10.0	14.6	8.6	9.2	12.4	8.8	9.6	13.4	13.4	10.7	10.9	12.0	12.0	6.2	6.2	6.1	6.2	6.2	6.1	6.1	5.5									
10 Years	10.9	11.3	12.8	9.7	9.9	10.8	10.3	10.7	12.1	12.1	10.9	10.8	10.5	10.5	6.2	6.2	6.2	6.2	6.2	6.2	6.2	5.9									
15 Years	11.2	11.6	11.0	10.0	10.3	10.2	-	-	-	-	10.7	10.6	10.5	10.5	6.4	6.5	7.4	6.4	6.5	7.4	7.4	5.9									
20 Years	11.7	11.9	12.1	10.6	10.8	11.2	-	-	-	-	11.1	11.2	12.0	12.0	7.7	7.8	9.3	7.7	7.8	9.3	9.3	6.8									
25 Years	12.9	13.0	14.1	11.6	11.6	12.7	-	-	-	-	12.4	12.5	13.8	13.8	-	-	-	-	-	-	-	8.3									
<b>INTERIM RATES</b>																						6.20% p.a. (0.503% p.m.)					0.309% p.m.				

ENDOWMENTS / LIFE PORTFOLIOS TO 01/10/2011 - 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.	M.P.	A.P.		S.P.	%								
1 Year	-4.2	4.2	4.2	0.2	4.5	4.5	-2.2	3.1	3.1	3.1	5.2	5.5	5.5	5.5	2.0	2.3	2.3	2.0	2.3	2.3	2.3	5.4									
2 Years	4.0	6.8	8.1	4.2	5.5	6.0	3.2	4.7	5.5	5.5	5.8	5.9	6.1	6.1	2.5	2.8	3.0	2.5	2.8	3.0	3.0	4.3									
3 Years	8.5	6.4	6.0	6.1	5.1	4.7	6.3	4.8	4.8	4.8	6.0	6.0	6.0	6.0	3.2	3.6	4.3	3.2	3.6	4.3	4.3	4.9									
5 Years	3.5	3.4	3.3	3.7	3.8	4.1	3.6	3.7	4.7	4.7	6.5	7.0	8.4	8.4	4.3	4.4	4.9	4.3	4.4	4.9	4.9	6.6									
8 Years	8.4	9.1	13.5	7.2	7.7	11.0	7.5	8.2	12.2	12.2	9.5	9.7	11.1	11.1	4.5	4.5	4.6	4.5	4.5	4.6	4.6	5.5									
10 Years	9.9	10.2	11.7	8.3	8.5	9.6	9.1	9.4	11.0	11.0	9.8	9.8	9.7	9.7	4.7	4.7	4.9	4.7	4.7	4.7	4.9	5.9									
15 Years	10.1	10.5	10.0	8.8	9.1	9.1	-	-	-	-	9.8	9.8	9.8	9.8	5.3	5.4	6.4	5.3	5.4	6.4	6.4	5.9									
20 Years	10.6	10.8	11.0	9.4	9.5	9.9	-	-	-	-	10.3	10.3	11.0	11.0	6.4	6.5	7.8	6.4	6.5	7.8	7.8	6.8									
25 Years	11.7	11.8	12.9	10.2	10.2	11.3	-	-	-	-	11.3	11.5	12.8	12.8	-	-	-	-	-	-	-	8.3									
<b>INTERIM RATES</b>																						5.00% p.a. (0.407% p.m.)					0.143% p.m.				
<b>GUARANTEED CAPITAL FUND (CURRENT AFTER-TAX RATE)</b>																						4.50% p.a. (0.367% p.m.)									
<b>EQUIVALENT RETURN</b> 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)	17 (1)	19 (0)	18 (1)	0 (0)	28 (28)	0 (0)	19 (1)	19 (0)	18 (1)	0 (0)	28 (28)
Ordinary Shares	100 (21)	69 (22)	77 (22)	68 (22)	100 (84)	72 (57)	100 (22)	67 (22)	77 (21)	68 (22)	100 (84)	72 (56)
Property	0	10	4	10	0	0	0	10	4	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	10.2	Mobile Telecommunications
2. Sasol Limited	7.0	Oil & Gas
3. Anglo American Plc	6.2	General Mining
4. BHP Billiton Plc	5.0	General Mining
5. Standard Bank Group	4.2	Banks
6. Naspers Limited	4.1	Media
7. Old Mutual plc	3.5	Life Insurance
8. SABMiller Plc	3.3	Consumer Goods
9. FirstRand Group	3.1	Banks
10. ABSA Group Limited	2.5	Banks

## GLOBAL ECONOMIC OVERVIEW

- The third quarter was characterised by extreme market volatility due to ongoing concerns about the state of the global economy, European debt issues and the downgrading of key countries by ratings agencies. Although the world economy was slowing at the start of the quarter, a significant slowing was not on the cards. At least not until policymakers disappointed markets by their collective indecisive actions. This in turn impacted on consumer and business confidence. Combined with the negative wealth effect associated with market turmoil, the world economy could now be on the brink of another recession.
- The quarter started off with mixed news. Another Greek support package had markets relieved, but very soon the bickering around the raising of the US debt ceiling and resultant ratings downgrade plus renewed concerns about Italy and Spain had the markets in turmoil again.
- By the end of the third quarter there was still no decisive policy action by the Europeans, despite the significant pressure on them by the US, the IMF and the markets. Thus market volatility continued unabated. It seems that some form of support for European banks à la the USA-style TARP (troubled asset relief programme) could be in the offing, but continued bickering about a bigger (or leveraged) EFSF (European Financial Stability Facility) and refusals of the Germans to support a Eurobond meant that no lasting solution was yet found.
- Thus, in the face of slowing growth momentum, the world could be on the brink of a renewed recession. However, such a recession will likely be shallow compared to the 2008/2009 recession. In the US, corporates are still very healthy with excellent profits. They are also far leaner than at the start of the 2008 crisis. Since they have not overextended themselves in terms of spending on employment and fixed investment, they do not have to cut spending significantly, which could have induced a sharp recession.
- Nevertheless, it seems clear that the world is set for a period of very soggy growth. This will mostly come from developed economies, as emerging economies are widely expected to be far more robust.

**OMIGSA Economic Research Unit view:** Global growth prospects remain very uncertain, and risks of the world slipping back into recession have increased further. Yet, we remain of the opinion that this could still be avoided by decisive action.

## GLOBAL MARKET PERFORMANCES IN RAND TERMS

	Last Month (%)	Year to Date (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	8 Years (% p.a.)	10 Years (% p.a.)
MSCI World	5.0	7.1	10.8	-0.5	-1.0	6.9	3.1
JP Morgan	13.2	30.1	21.2	7.3	8.7	8.4	6.4
S&P 500	6.8	10.6	16.1	-0.2	-0.9	5.1	1.3
FTSE 100	4.7	8.1	8.9	-0.2	-2.2	7.7	3.5
Nikkei Index	10.7	8.8	16.0	1.1	-3.1	4.5	2.1
Rand/Dollar	14.9	21.5	15.3	-1.0	0.7	1.8	-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	-3.4	5.1	5.1	-3.8	4.6	4.6	4.8	7.9	7.9	4.9	8.1	8.1
2 Years	0.8	3.7	2.9	0.3	3.0	2.3	4.3	5.4	4.1	4.2	5.3	4.0
3 Years	2.0	-0.7	-5.3	1.1	-1.6	-6.6	3.6	1.7	-2.2	3.3	1.4	-2.8
5 Years	-3.1	-3.5	-4.1	-4.0	-4.5	-5.7	-0.2	-0.3	-0.8	-0.6	-0.7	-1.3
8 Years	0.6	0.8	4.0	-0.7	-0.5	3.0	3.4	3.5	5.8	2.5	2.6	4.7
10 Years	1.0	1.2	2.1	-0.2	-0.1	0.7	3.3	3.3	3.3	2.4	2.4	2.4
15 Years	2.3	2.8	5.8	1.1	1.6	4.8	4.1	4.5	6.8	3.3	3.6	6.1

## GEOGRAPHICAL SPREAD

	EQUITY PORTION %			BOND PORTION %		
	Fund	MSCI	Difference	Fund	Benchmark <sup>8</sup>	Difference
United States	39.0	44.4	-5.4	32.3	37.4	-5.1
Japan	10.7	8.7	2.0	12.2	26.2	-14.1
Europe ex UK	11.5	16.5	-5.0	28.8	26.3	2.5
United Kingdom	7.6	8.5	-0.9	12.3	5.7	6.6
SE Asia & Canada	9.8	10.5	-0.7	10.4	4.2	6.2
South Africa	15.6	0.0	15.6	0.9	0.1	0.8
Other	5.7	11.4	-5.7	3.2	0.2	3.0
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	2.4	0.0	1.1	0.3	0.2	0.3
Consumer Discretionary	9.5	10.3	4.4	1.2	0.9	1.3
Consumer Staples	8.7	10.5	4.2	1.0	0.8	1.1
Energy	9.1	11.2	4.1	1.2	0.8	1.3
Financials	11.1	18.8	5.0	1.5	1.0	1.5
Healthcare	9.2	9.2	4.2	1.2	0.8	1.3
Industrials	9.9	10.2	4.5	1.3	0.9	1.4
Information Technology	13.2	12.3	6.1	1.7	1.2	1.8
Materials	4.7	8.3	2.2	0.6	0.4	0.6
Other	0.2	0.0	0.1	0.0	0.0	0.0
Telecom Services	4.1	5.1	1.9	0.5	0.4	0.5
Utilities	2.4	4.1	1.1	0.3	0.2	0.3
SA Rand Hedge	15.6	0.0	0.0	0.0	0.0	0.0

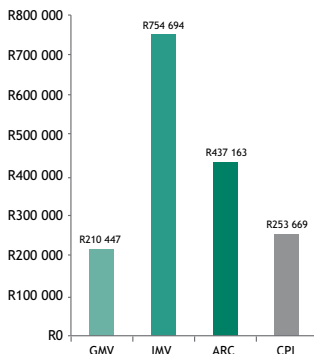
## TOP EQUITY HOLDINGS (GLOBAL)

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

## ACTUAL POLICY PAYOUTS

### RETIREMENT ANNUITY (FLEXiPENSION PERF. PROFITS BALANCED) - POLICY NUMBER: 7090940

Monthly premium	R500.00
Entry date	1/10/1990
Maturity date	1/10/2011
Guaranteed Maturity Value (GMV)	R210 447.00
Illustrative Maturity Value (IMV) (@ 15%)*	R754 694.00
Illustrative Maturity Value (IMV) (@ 12%)*	R511 252.00
Total premiums paid	R126 000.00
Retirement age (anb)	56
Actual Retirement Capital (ARC)	R437 163.23
Policyholder's investment return**	10.6% p.a.
Average inflation of policy term (CPI)***	6.2% p.a.

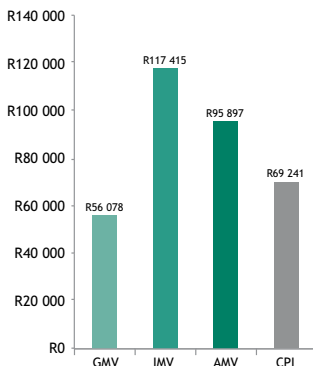


### AN OPTION AT MATURITY (SINGLE LIFE ANNUITY)

One-third cash	R145 721.08
Consideration for annuity	R291 442.15
Gross annuity	R2 381.47
After-tax (40%) annuity	R1 428.88
Net return (after tax)	11.6%

### PURE ENDOWMENT (FLEXiDOWMENT SMOOTHED BONUS) - POLICY NUMBER: 9186715

Monthly premium	R200.00
Entry date	1/10/1994
Maturity date	1/10/2011
Guaranteed Maturity Value (GMV)	R56 078.00
Illustrative Maturity Value (IMV) (@ 12%)*	R117 415.00
Illustrative Maturity Value (IMV) (@ 9%)*	R87 512.00
Total premiums paid	R40 800.00
Actual Maturity Value (AMV)	R95 897.35
Policyholder's investment return**	9.3% p.a.
Average inflation of policy term (CPI)***	5.9% 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

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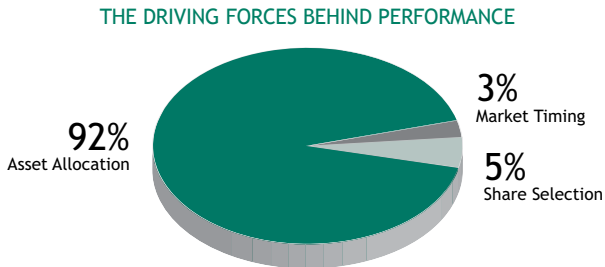
### DIVERSIFICATION VIA ASSET CLASS

The word “diversification” is usually associated with international diversification, which entails your investing a percentage of your assets offshore in order to reduce your risk within a single country.

Another, and less common, way of minimising your risk is that of “asset allocation”. This entails “the combination of different asset classes (cash, bonds, shares and property) in a way to maximise returns for a given level of risk”.

You can diversify your portfolio via asset class by investing in local portfolios that have a definite international portion in their mandates. This enables you to reduce your risk within the portfolio without having to physically move your funds offshore.

It has been said that asset allocation is the key to investing. A study in the United States found that medium- and long-term performance of portfolios was largely driven by asset allocation. The results of this research are shown in the diagram below.



## NOTES

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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.