

Old Mutual Growth and Protection Solutions  
**Multi-Managed Smoothed Bonus**



**Disclosure Report**  
June 2010

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# 1 • Introduction

This Disclosure Report contains details of the structure of the portfolio of assets underlying Multi-Managed Smoothed Bonus (MMSB) as at 30 June 2010, as well as returns generated by the underlying assets up until this date.

This report also includes information on the Bonus Smoothing Reserve levels of MMSB, the internal processes and philosophies of Old Mutual Smoothed Bonus Portfolios pertaining to bonus declarations, as well as the level of capital Old Mutual holds to back portfolios with guaranteed benefits.

Finally, notes on the fee and cost structure, and size, of MMSB are provided.

*This report provides an overview of aspects and practices relating to the management of MMSB. The nature and format of disclosure may be reviewed in future. This report is not intended to be a comprehensive explanation of contractual terms and conditions; the contractual terms and conditions will always prevail.*

MMSB Disclosure Reports are available annually with an effective date of 30 June.

More regular information on the product's performance and the returns earned on its underlying portfolio are available in the Old Mutual Smoothed Bonus Portfolios Quarterly Reports.

To download the latest versions of these reports visit our website for corporate investors at [www.oldmutual.co.za/GuaranteedInvestments](http://www.oldmutual.co.za/GuaranteedInvestments)

In terms of Financial Services Board Directive 147.A.i, Old Mutual is required to define and publicise the principles and practices of financial management (PPFM) that are applied in the management of its discretionary participation business, which includes MMSB business. The PPFM document, as well as a consumer-friendly version specific to Old Mutual Corporate's Smoothed Bonus Portfolios is available on Old Mutual's website at [www.oldmutual.co.za](http://www.oldmutual.co.za)

or can be obtained in hard copy on request, via the contact details at the end of this report.

## 2. Underlying Investment Portfolio

This section of the Disclosure Report provides information on the structure and performance of the investment portfolio underlying MMSB. The aim with this level of disclosure is to demonstrate the underlying asset manager's capability with regards to managing the portfolio in line with the benchmark.

It should also be noted the returns disclosed in this section are time-weighted rates of return and are gross of asset manager base fees but net of performance fees paid to external managers. Furthermore, all information provided is in respect of untaxed policyholder funds.

### 2.1 Total MMSB Underlying Portfolio

SYmmETRY Multi-Manager, a member of the Old Mutual Investment Group (South Africa) (OMIGSA) manages the underlying portfolio in line with the strategic asset allocation described below. Certain asset classes are split on a strategic basis between Core and Satellite managers, as shown in each relevant section. Core managers construct portfolios on a benchmark-aware basis, while satellite holdings are given greater freedom to deviate from their benchmarks, and are expected to generate greater returns.

Although the MMSB mandate is not expected to change frequently, Old Mutual may make adjustments if deemed necessary, for instance if changes occur in the economic and investment environment or if a change occurs in the assessed risks in the portfolio.

#### Asset Allocation

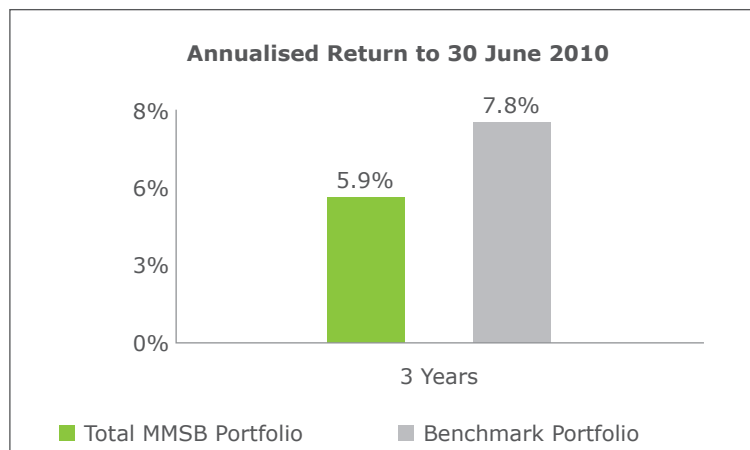
The actual asset allocation of the underlying portfolio relative to the strategic asset allocation is shown below, effective 30 June 2010.

Asset Class	As at 30 June 2010	Strategic Asset Allocation
Domestic Equities	30.4%	33.0%
Domestic Interest Bearing Assets	34.1%	34.5%
Domestic Alternative Assets	7.5%	5.0%
Domestic Direct Property	8.1%	7.5%
International Equities	8.4%	8.0%
International Interest Bearing Assets	7.1%	7.0%
International Alternative Assets	4.4%	5.0%

## Restrictions and Limitations

- SYmmETRY is responsible for determining, setting and monitoring the appropriate limits within the mandates given to the managers underlying the portfolio. Old Mutual Life Assurance Company (South Africa) (OMLAC(SA)) is kept informed of these limits.
- Derivative instruments can only be used for the purpose of reducing investment risk, efficient portfolio allocation and yield enhancement. Derivatives may not be used to speculate.
- Strategic rebalancing of the portfolio is affected if the actual allocation to one of the specified classes deviates by more than 3% (as a percentage of the total portfolio's value) from the required strategic allocation to that asset class.
- Rebalancing will also be affected if the allocation to an individual manager deviates more than 3% from the manager's strategic allocation. If it is not possible to make the required adjustment (due to statutory limitations) then the OMLAC(SA) investment committee is made aware of this.
- Investment in shares of Old Mutual plc and associated companies is subject to OMLAC(SA) approval.
- Many other restrictions apply to limit risks. These generally focus on credit risk and are available on request.

## Total Portfolio Underlying Performance



The portfolio performance can be broken down into performance attributed to selection and allocation. Allocation refers to performance that was attained by enhancing the exposure to better performing asset classes or sectors above their strategic or indexed allocations respectively. Selection refers to performance attained by selecting better performing assets within each specific asset class or sector. Selection performance is provided in the next section of this report.

The total portfolio underperformed its benchmark by 1.9% over the 3-year period. The poor performance relative to the benchmark can be mainly attributed to the underperformance of the Domestic Alternative, Domestic Property and International asset classes. More information relating to the individual asset classes can be found in the relevant sections below.

## 2.2 Domestic Equity Portfolio

### Management

The Domestic Equity managers are Prudential, Element, Abax, SIM, Investec, Hermes and Alphen. The Domestic Equity Portfolio is split on a strategic basis between Core and Satellite managers as shown below.

Domestic Equity Category	Strategic Asset Allocation (of Domestic Equity Portfolio)	Manager
Core	25%	Prudential
Satellite	20%	Element
Satellite	25%	Abax
Satellite	10%	SIM
Satellite	12%	Investec
Satellite	4%	Hermes
Satellite	4%	Alphen

### Benchmarks

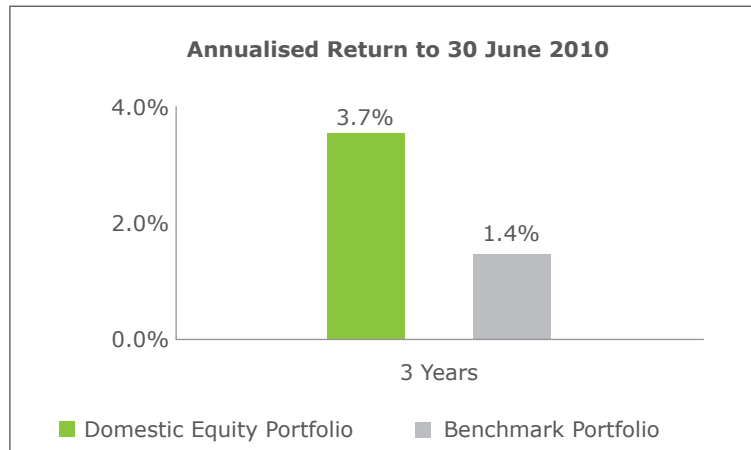
The performance benchmark for the Domestic Equities portion of the portfolio is the SWIX index, adjusted for a zero exposure to Old Mutual plc. The Old Mutual plc adjustment is made by removing Old Mutual plc from the benchmark and increasing the weight of all the remaining stocks in the SWIX index.

### Top 10 Holdings

The percentages indicated represent the stock holding as a percentage of the Domestic Equity portfolio.

Stock	Portfolio Exposure	Benchmark Exposure
Sasol Ltd	7.7%	4.5%
MTN Group Ltd	6.4%	6.4%
British American Tobacco plc	3.6%	0.0%
Anglo American plc	3.9%	3.7%
Gold Fields Ltd	3.7%	0.7%
BHP Billiton	3.3%	4.6%
Naspers Ltd	3.5%	2.7%
Steinhof International Holdings Ltd	3.1%	0.9%
Reinet Investments Sca	2.9%	0.7%
AngloGold Ashanti Ltd	2.5%	1.2%
<b>TOTAL</b>	<b>40.6%</b>	<b>25.4%</b>

## Underlying Performance



Over the 3-year period, the Domestic Equity asset class comfortably outperformed its benchmark by 2.3%. The main driver of performance during this period has been the defensive position adopted by most of the equity managers coupled with good stock selection. Symmetry's good choice of equity managers also added value, with 5 out of 7 managers outperforming their benchmarks.

## 2.3 Domestic Interest Bearing Portfolio

### Management

The Domestic Interest Bearing Asset managers for domestic bonds are Prudential, Coronation, Foord, Orthogonal, African Harvest and FutureGrowth. The asset managers for money market investments are Taquanta and Gryphon.

The Domestic Interest Bearing Portfolio is split on a strategic basis between 60% Domestic Bonds and 40% Domestic Money Market investments. The strategic split between managers in respect of Bond investments is shown below:

Strategic Asset Allocation (of Domestic Bond Portfolio)	Manager
24%	Prudential
24%	Coronation
18%	Foord
15%	Orthogonal
6%	African Harvest
13%	FutureGrowth

The strategic split between managers in respect of Money Market investments is shown below:

Domestic Money Market Category	Strategic Asset Allocation (of Domestic Money Market Portfolio)	Manager
Satellite	50%	Taquanta
Satellite	50%	Gryphon

The Domestic Interest Bearing portion of the portfolio includes Targeted Investments, which are investments in assets that partially or wholly meet the definition of Targeted Investments as published by the Financial Services Charter Council. These assets are managed by OMIGSA's Alternative Investments boutique.

### Benchmarks

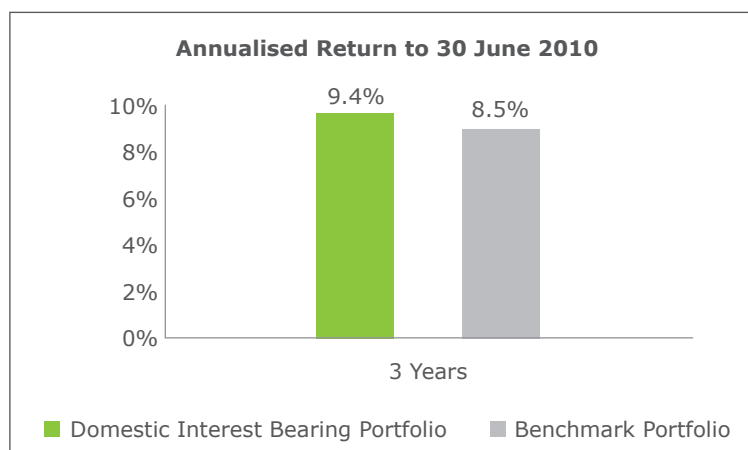
The performance benchmark for the Domestic Interest Bearing portion of the portfolio is 40% STeFI Money Market Composite Index and 60% BEASSA All Bond Index. The portfolio shall at all times be limited to average durations within 2 years of the average duration of the benchmark.

Targeted Investments are benchmarked against 3 month JIBAR + 0.7% per annum.

### Exposure by Duration

Duration	Portfolio Exposure
Money Market/Cash	11.6%
1-3 Years	7.4%
3-7 Years	28.9%
7-12 Years	23.6%
Longer than 12 years	28.5%

### Underlying Performance



The Domestic Interest Bearing Portfolio generated alpha of 0.9% over the three year period ending 30 June 2010. The portfolio maintained a low credit risk profile, which helped this portfolio to be partially protected from the adverse effects of mass defaults that occurred during the financial crisis

## 2.4 Domestic Alternative Asset Portfolio

### Management

The management of this section of the portfolio is performed predominantly by OMIGSA's Alternative Investments boutique.

This asset class contains investments in the IDEAS Fund. Other alternative investments (e.g. hedge funds and structured products) will only be included if agreed to by the OMLAC(SA) investment committee. The portfolio has a strategic allocation to South African Alternative Assets of 5%.

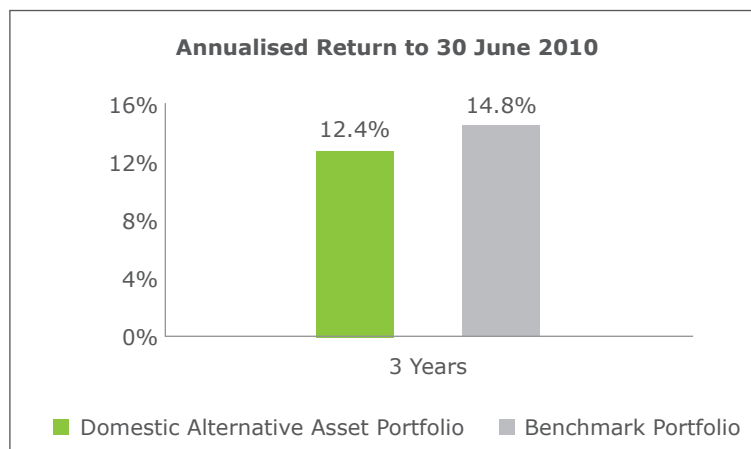
The IDEAS (Infrastructure, Developmental and Environmental Assets) Fund invests specifically in infrastructure and development assets aimed at financing projects to promote South Africa's long-term economic development.

Due to the nature of the investments in this class, SYmmETRY is not in a position to effect asset allocation changes in the short term.

### Benchmarks

In calculating the benchmark portfolio performance, the exposure to this asset class in the benchmark portfolio is set to the strategic exposure stated in section 2.1.

The performance benchmark for this asset class is to generate a real return in excess of CPI+7% per annum (before charges and tax) over any rolling 3-year period.



The Domestic Alternative Asset Portfolio performed well in absolute terms over the 3-year period ending 30 June 2010. It provided a welcome diversification from the turbulent equity markets. The portfolio underperformed its CPI related benchmark but in a period of particularly high inflation.

## 2.5 Domestic Direct Property Portfolio

### Management

The management of this section of the portfolio is performed by OMIGSA's Property Investments (OMIGPI) boutique.

The exposure to Domestic Direct Property is achieved through investments in OMIGPI's Triangle Core and Development and SRI Funds. The Domestic Property Portfolio invests predominantly in direct property investments however this portfolio may also include exposure to holdings in listed property shares.

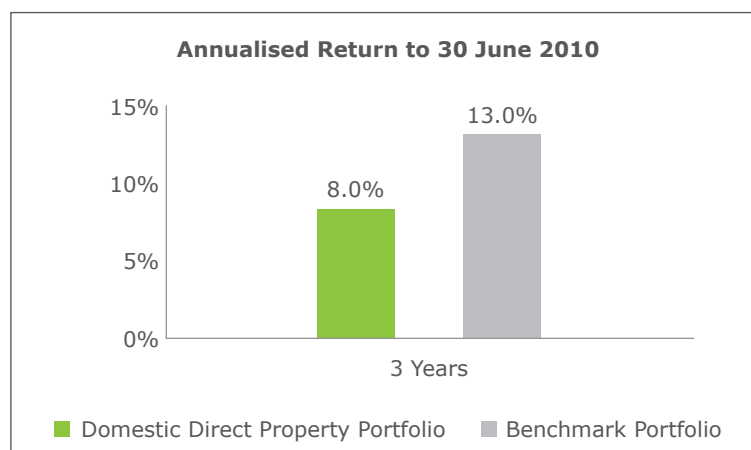
### Benchmarks

In calculating the benchmark portfolio performance, the exposure to this asset class in the benchmark portfolio was set to the strategic exposure (i.e. 7.5%), provided the actual exposure was less than a hurdle of 10%. If the actual weight of South African Direct Property is in excess of 10%, the strategic allocation to South African Direct Property reflected in the table in section 2.1 will be increased by the excess over 10% and the strategic allocations to South African Equities and South African Bonds reflected in the table in section 2.1 will be reduced in equal proportions by the excess over 10%.

For the period 1 July 2010 onwards, the adjustment to the South African direct property benchmark will fall away and the strategic benchmark will remain unadjusted.

The performance benchmark for this asset class is to generate a real return in excess of CPI+5.5% per annum (before charges and tax) over any rolling 3-year period.

### Underlying Performance



The Domestic Direct Property Portfolio performed well in absolute terms by returning 8% per annum over the 3-year period ending 30 June 2010. It provided a welcome diversification from the turbulent equity market over the three year period. Performance lagged the inflation-linked benchmark in a period of particularly high inflation.

## 2.6 International Equity Portfolio

### Management

The International Equity Portfolio is invested with investment management companies SEI, Orbis and Origin.

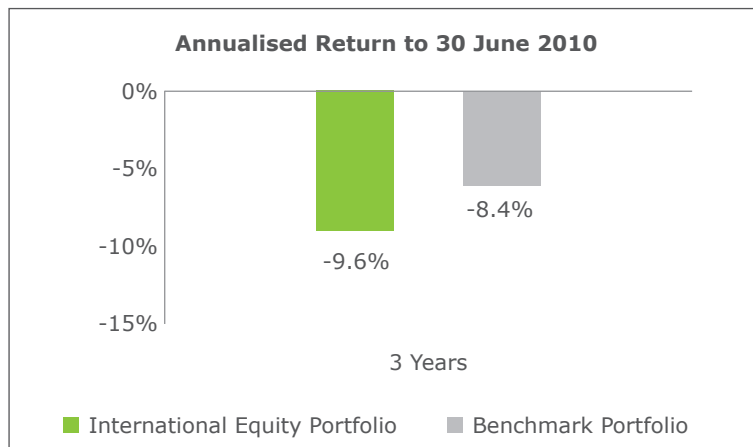
### Benchmarks

In calculating the benchmark portfolio performance, the exposure to this asset class in the benchmark portfolio is set to the strategic exposure stated in section 2.1.

The performance benchmark for the International Equity Portfolio is the total return of the Morgan Stanley Composite Index of World Equity (in South African rands).

The International Equity portfolio is targeted to produce 1.5% per annum out-performance of its benchmark over any rolling 3-year period, after costs.

### Underlying Performance



The International Equity Portfolio underperformed its benchmark by 1.2% per annum over the three year period. Despite the disappointing negative returns over the past three years, International Equities are currently viewed as an attractive asset class going forward.

## 2.7 International Interest Bearing Portfolio

### Management

The International Interest Bearing Portfolio is invested exclusively with investment management company SEI.

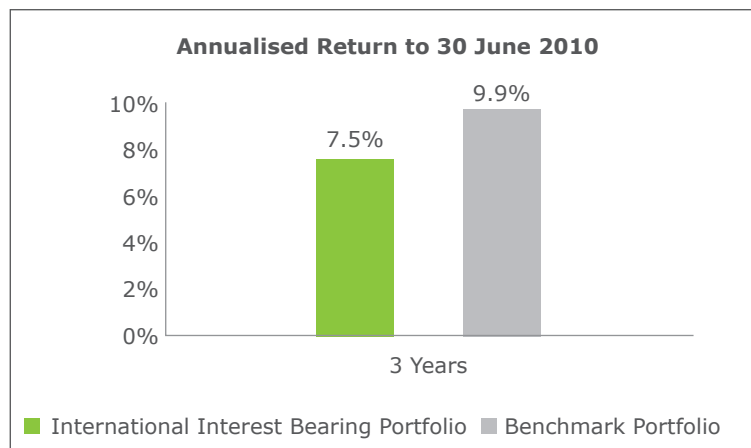
### Benchmark

In calculating the benchmark portfolio performance, the exposure to this asset class in the benchmark portfolio is set to the strategic exposure stated in section 2.1.

The performance benchmark for the International Interest Bearing portfolio is 50% JP Morgan International Bond Index and 50% Lehman Global Aggregate Total Return Index (in South African rands).

The International Interest Bearing Portfolio is targeted to produce 1% per annum out-performance of its benchmark over any rolling 3-year period, after costs. The portfolio shall at all times be limited to an average duration of within 1 year of the average duration of the benchmark.

### Underlying Performance



The International Interest Bearing Portfolio underperformed its benchmark by 2.4% p.a. over the 3-year period. The overweight position to credit instruments was the main reason for the underperformance, as these instruments lost significant value during the financial crisis. The performance of the portfolio improved markedly during the 12 months leading up to 30 June 2010, generating alpha of 4.2% for that period.

## 2.8 International Alternative Asset Portfolio

### Management

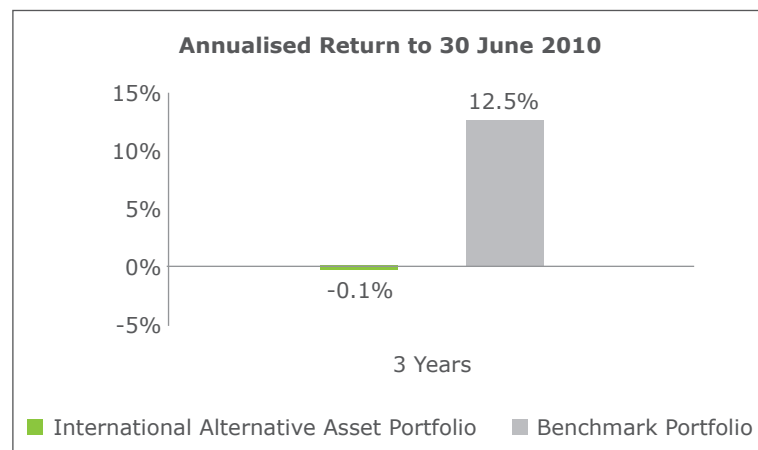
The International Alternative Asset Portfolio invests in funds of hedge funds through Stenham and Episode.

### Benchmarks

In calculating the benchmark portfolio performance, the exposure to this asset class in the benchmark portfolio is set to the strategic exposure stated in section 2.1.

The performance benchmark for International Alternative Assets is US Consumer Inflation plus 5% per annum in US Dollars, over rolling 5 year periods.

### Underlying Performance



The International Alternative Asset portfolio has experienced disappointing performance over the three year period. The portfolio was overhauled towards the end of 2008, and IVY Asset Management was replaced by Stenham due to a disappointing track record. Stenham's conservative approach provided capital protection during the financial crisis but limited the portfolio's participation to upside after the crisis. Episode, a Global Macro hedge fund managed by M&G Investments was also added to the building block during March 2009. This manager has added value to the portfolio during the latest 12 months, on the back buoyant equity and fixed interest markets.

## 3. Bonuses

The smoothing process inherent in the bonus philosophy aims to ensure that, over time, the bonus should produce the same return as the underlying portfolio net of the guarantee and other costs, but with the impact of short-term market volatility significantly reduced.

### Bonus Philosophy

The surplus attributable to smoothed bonus policies (i.e. generally the net investment return earned on policyholder funds) is credited to a Bonus Smoothing Reserve (BSR), from which bonuses are declared. The BSR is, in effect, the difference between the market value of the assets and the basic value of the liabilities. A separate BSR is maintained for each of the Old Mutual Corporate Smoothed Bonus Portfolios.

The amount available for each bonus declaration is therefore taken as the accumulated balance in the BSR. This balance depends primarily on:

- Amounts earned in the past, which have not previously been declared as bonuses.

Positive BSR balances represent surplus attributable to with-profit policyholders that have not yet been declared as bonuses, which will be used to support subsequent bonus declarations. A negative BSR balance means that more has been declared as bonuses to policyholders than has been earned to that date (as a consequence of the smoothing process), and that this will be recovered in future bonus declarations (i.e. future bonuses will be less than the net investment return earned).

- The net investment return earned during the prior month.

Bonuses declared usually differ from the actual net (of charges) investment return earned in any month, so as to reduce the impact of short-term volatility of returns to policyholders. In months when above average investment returns are earned, the bonus declared tends to be lower than the net investment return earned, and in months when below average investment returns are earned, the bonus declared tends to exceed the net investment return earned.

The BSR is therefore credited with the net investment return and is debited with the cost of bonuses declared, the charge for investment guarantees.

It is important to note that the BSR is used to declare bonuses for the benefit of MMSB policyholders only, and can therefore not be accessed by Old Mutual shareholders.

## Bonus Declaration Process

Bonuses are declared monthly in advance, based on the financial position at the beginning of each month. The bonus declaration is at the discretion of the Board and is based on the recommendation by the Statutory Actuary. The Board has delegated the authority for approving monthly bonuses to the Statutory Actuary, who will keep the Board informed periodically.

In addition to the above considerations, the process below describes how the monthly bonus is determined:

- The impact of the declaration of a proposed bonus on the BSR is assessed.

The BSR is targeted in the long term to be within a range of 0% to 5% of the accumulated policy values. However, the smoothing process, coupled with short-term market movements, and the impact of cashflows will inevitably cause the BSR to move outside of this range in the short term.

The bonus process is designed to restore the BSR to its long-term target over a reasonable period, consistent with guidelines issued by the Actuarial Society of South Africa (ASSA) that require the Statutory Actuary not to allow the BSR to drop below a position that can reasonably be expected to be restored within three years.

Consideration is given to the current level of the BSR, e.g. if the BSR is at a level below the target range, the proposed bonus may be reduced. The greater the shortfall, the greater the downward adjustment. Any shortfalls or excesses are not eliminated immediately but rather recouped or redistributed over time.

- A view on the relative level of the market compared to historical levels, as well as the current and medium-term economic outlook and prospects for investment markets is also factored into the equation. This is necessary to assess the amount available for the bonus declaration. For example, in times when the relative level of the market is high, and returns on the underlying assets have consequently been high, the BSR will be more positive. This allows an assessment to be made of the appropriate level of the BSR going forward.

Further factors that the Board considers when determining the bonus to be declared, include the following:

- The degree to which returns are smoothed compared to previous bonus declarations and levels of returns earned on the underlying assets.
- The reasonable expectations of policyholders as to the size of the bonus.
- The impact on bonuses if a severe market environment was experienced. For example, in such an environment, bonuses will be affected by the need to ensure that the BSR does not become too negative, as this would adversely affect subsequent bonuses.
- Our competitive position against the bonus declarations of Smoothed Bonus Portfolios offered by other providers.

Three bonuses are declared each month, one for each guarantee option. The differentials in bonus rates between the three guarantee options are equal to the difference in the rates of the capital charges for the three guarantee options. For example, the 95% guarantee option will earn bonuses that are 0.50% per annum higher than the 100% guarantee option, and the 90% guarantee option will earn bonuses that is 0.50% per annum higher than the 95% guarantee option. This does not imply a cross-subsidy between the different guarantee options, as the higher bonus is funded for through the charging of a lower charge for investment guarantees.

Old Mutual reserves the right to vary these differentials in bonus rates in the event of one or more of the bonuses in respect of any of the guarantee options being zero, or at its discretion.

### **Guaranteed vs. Non-Guaranteed Bonuses**

For MMSB 100, 100% of the total bonus declared (gross of investment fees and retirement fund tax) is guaranteed. Similarly, for MMSB 95 and MMSB 90 respectively, 95% and 90% of the total bonus declared is guaranteed.

### **Allowance for Management Action in Adverse Circumstances**

As mentioned, the BSR is targeted in the long term to be within a range of 0% to 5% of the liabilities. Tolerance for BSR levels outside this range reduces as the absolute levels move further away from this range. The tolerance for a particular level of smoothing reserve is also a function of the prevailing investment and economic conditions and the outlook for these.

The focus here is particularly on a three-year time horizon, in line with the Actuarial Society of South Africa guidelines as described in this section. While Old Mutual has some internal guidelines, there are no absolute levels set at which particular management actions are automatically taken. Such an approach may be imprudent, as it may not consider all the factors involved at that time. However, if the BSR trends away from the long-term average, the extent of management action will become more pronounced, and will make use of the following remedial steps, taking due consideration of the economic and investment environment at all times.

The first would be through the bonus mechanism as described in this section, a mechanism used at all levels of BSR. The second would be to remove the non-guaranteed element (difference between Total Account and Vested, or guaranteed, Account) where this is possible. A removal of the non-guaranteed element can occur if Old Mutual believes it to be more prudent to possess more equity between the different generations of policyholders. A removal would occur if the board, on the recommendation of the Statutory Actuary, considers it not possible to restore the level of the BSR during the ensuing three years through the bonus declaration process, given the prevailing investment and economic conditions.

If, after the removal of the non-guaranteed element, the Board considers that the level of the BSR may not be capable of being restored within three years, shareholder capital will be used to provide temporary support to the portfolio. If and when the position improves, the support provided will be returned to shareholder funds with returns earned.

### **The Cost of Providing Guarantees**

Old Mutual levies a capital charge of 1.8% per annum for MMSB 100, 1.3% per annum for MMSB 95 and 0.8% per annum for MMSB 90. The capital charge is levied monthly in arrears on the assets underlying the policy. Thus any bonuses declared are net thereof. This charge is in respect of the cost of providing the guarantees inherent in this product.

## 4. Portfolio Bonus Smoothing Reserve Levels

As of 31 December 2002, mandatory guidance relating to the disclosure of solvency levels (Bonus Smoothing Reserves) in Smoothed Bonus Portfolios became effective.

Old Mutual complies with this guidance by making public, information relating to the solvency levels for all classes of business. The published reports contain a statement regarding the solvency levels of each class relative to a level of -7.5% of the value of the liabilities in that class. This information is effective as at 31 December.

As at 31 December 2009, the Bonus Smoothing Reserves for the MMSB portfolios was not outside the stated range, i.e. it was not more negative than -7.5%.

On an annual basis Old Mutual provides information on the Bonus Smoothing Reserves (BSR) for the MMSB portfolios effective 30 June. The actual BSR at 30 June 2010 after taking account of all declared bonuses falls within the indicated BSR range:

Bonus Smoothing Reserve Range	
Greater than 20%	
Between 15% and 20%	
Between 10% and 15%	
Between 5% and 10%	
Between 0% and 5%	
Between -5% and 0%	
Between -10% and -5%	
Between -15% and -10%	
Less than -15%	

As at 30 June 2010, the actual BSR level was in the range between 5% and 10%.

## 5. Company Solvency

The guarantees on benefit payments offered in MMSB are backed by the capital of Old Mutual.

Old Mutual's historical capital levels have been as follows

	Dec 2009	Jun 2010
Net Assets * (R'bn)	375.8	349.1
Actuarial Liabilities (R'bn)	330.0	307.4
Shareholder Capital (R'bn)	45.8	41.7
Capital over Liabilities	13.9%	13.6%

\* net of inadmissibles and other adjustments

The extent of capital, combined with the stability over time, provides an indication of the quality of the guarantees that apply to our Smoothed Bonus Portfolios.

It is important to note that the Actuarial Liabilities shown here include Bonus Smoothing Reserve for the different classes of business.

The capital required (R'bn) on a statutory basis at the corresponding dates was as follows:

	Dec 2009	Jun 2010
Shareholder Capital (R'bn)	45.8	45.0
Statutory Capital Required (R'bn)	11.1	11.5
<b>Cover</b>	<b>4.1 x</b>	<b>3.9 x</b>

As at 30 June 2010 Old Mutual had 3.9 times as much capital set aside to protect policyholders' guaranteed benefits as is required by regulation.

This information is made available on a six monthly basis with the publication of the financial results of Old Mutual plc. The 2009 values of net assets (and therefore shareholder capital) may have changed slightly from that previously reported as a result of previously disclosed figures including estimates of inadmissible items.

Due to the fact that risks inherent in the different products that Old Mutual offers are correlated (whether negatively or positively), the amount of capital set aside to back all guarantees cannot be separated out for each product independently, hence the figures shown above apply across the board for the whole of Old Mutual.

## 6. Fee Structure

### Investment Management Fee

An investment management fee is deducted from the Total Account monthly in arrears, calculated on the daily balance in the Total Account. This fee is in respect of the investment administration and asset management performed by Old Mutual. This fee excludes:

- Performance fees payable in respect of alternative assets and in respect of assets placed with asset managers not within Old Mutual plc;
- Other costs and expenses incurred in the management of the assets including, but not limited to, brokerage, taxes, levies, audit charges, bank charges, custodian charges, agent fees, licensing fees and other costs and expenses incurred on behalf of clients;
- Specialist investment management costs which will include, but are not limited to, costs incurred in respect of scrip lending and dividend right sale.

These excluded costs and fees are deducted from the underlying assets as and when these are incurred and all bonuses declared are net of these costs and fees.

The standard fee structure is currently as shown in the table below. These rates are subject to a minimum fee of R5,000 p.a.

Annual Fee	Fund Size
0.75%	Applicable to the first R50 million
0.65%	Applicable to the next R50 million
0.60%	Applicable to the next R100 million
0.50%	Applicable to the next R200 million
0.47%	Applicable to amounts exceeding R400 million

For other charges relating to the management of this product, please refer to the Bonuses section of this report.

## 7. Portfolio Size

The MMSB portfolio size as at 30 June 2010 was approximately R1.0bn. Please note that this amount does not include any Bonus Smoothing Reserve.

## 8. Ring Fencing

The portfolio of underlying assets that supports MMSB is managed separately from the assets of other portfolios (both policyholders and shareholders). This separation extends to the MMSB specific Bonus Smoothing Reserve (BSR) that forms an integral part of the portfolio of underlying assets that support MMSB.

MMSB is managed in accordance with a specific mandate as described earlier in this document.

Although the assets are managed separately from other portfolios they are not housed in a separate legal entity but remain the registered property of OMLAC(SA).

All fees and charges are transferred from this portfolio to shareholder fund portfolios.

Other transfers of assets between different portfolios would occur in the normal course of events.

Such transfers could reflect normal trading between two portfolio managers with different investment mandates and investment views or the transfer of a pool of assets where a client chooses to change his investment from, say, MMSB to Old Mutual Absolute Stable Growth.

Large new clients may also be allowed to bring in portfolios of assets rather than cash as consideration, if acceptable to the portfolio manager.

The principle that applies on any such transfers or take-on of portfolios will be that any assets accepted into the portfolio must not alter the portfolio in such a way that compliance with the investment mandate is compromised.

The transfer of Bonus Smoothing Reserves between different policyholder portfolios is not precluded but will only happen in specific circumstances.

This could occur where a client moves its investment from one Old Mutual Smoothed Bonus Portfolio to another. Under certain circumstances any corresponding portion of the underlying BSR in the transferring portfolio can be transferred. The principle followed is that, as far as possible, we aim to ensure that the BSR percentages of both portfolios are similar after such a transfer to what they were before the transfer.

As a mature portfolio diminishes in size over time a stage might be reached where the size of the portfolio is less than optimal for the smoothing of returns to be effective. At such a point the mature portfolio could be combined with a larger portfolio with a corresponding transfer of BSR taking place. The principle applied in such an instance is once again that investors in neither of the portfolios should be prejudiced by such a step.

## How to Contact Us

**Find out more about the investment portfolios in Old Mutual's range of Growth and Protection Solutions.**

**Contact your Old Mutual Corporate consultant, or broker, or call your nearest Old Mutual Corporate office.**

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Pretoria	012 360 0000
Western Cape	021 530 9600
KwaZulu-Natal	031 275 0800
Eastern Cape	041 391 6300

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### **Visit our Guaranteed Investments Webpage**

[www.oldmutual.co.za/GuaranteedInvestments](http://www.oldmutual.co.za/GuaranteedInvestments)

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