

## Old Mutual Absolute Growth Portfolios



Growth happens. Protect it.





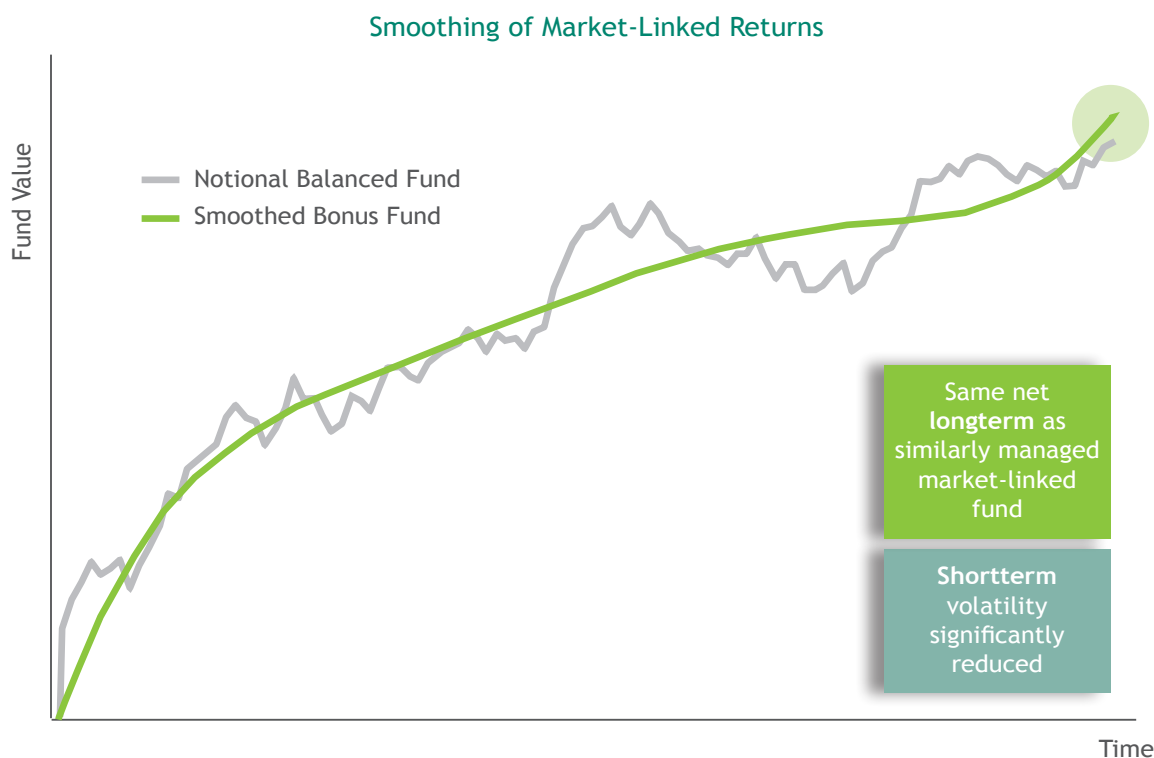
# Contents

<b>1</b>	<b>Old Mutual Absolute Growth Portfolios</b>	<b>1</b>
<b>2</b>	<b>Portfolio Features</b>	<b>3</b>
	2.1 Overview	3
	2.2 Absolute Growth Portfolios 2009 Series	3
	2.3 Suitability of Absolute Growth	4
	2.4 Guarantees	4
	2.5 Investment Mandate and Asset Allocation	5
	2.6 Bonus Philosophy and Expected Returns	6
	2.7 Portfolio Size	11
	2.8 Disclosure and Governance	11
	2.9 Our Team	13
<b>3</b>	<b>Terms and Conditions</b>	<b>14</b>
	3.1 Payment of Policy Benefits	14
	3.2 Switches	14
	3.3 Section 14 Transfers	15
	3.4 Surplus Apportionment Payments	15
	3.5 Terminations	15
	3.6 Fees and Charges	16
<b>4</b>	<b>About Old Mutual</b>	<b>18</b>
	4.1 Why Choose Old Mutual?	18
	4.2 Financial Strength and Credit Rating	19
	4.3 Professional Indemnity Insurance	20
	4.4 Corporate Citizenship	20
<b>5</b>	<b>Compliance</b>	<b>22</b>

# 1. Old Mutual Absolute Growth Portfolios

- Targeted Real Returns, Smoothing Enhanced

Old Mutual Absolute Growth Portfolios aim to provide investors with competitive real returns, without the short-term volatility associated with balanced market-linked investments, as illustrated in the chart below:



The investments underlying Old Mutual’s Absolute Growth Portfolios are broadly similar to global balanced market-related portfolios, incorporating a high allocation to ‘growth’ assets (such as equities, property and alternative assets). This means that, over the medium- to long-term, returns should compare favourably with similarly constructed market-related investment portfolios.

At a glance, the Absolute Growth Portfolios offer:

- **Competitive targeted returns**

Despite their low-risk nature, the medium- to longer-term returns on these Portfolios are comparable with those of well-diversified market-linked portfolios with a similar asset allocation, taking into account the cost of providing the guarantees.

Based on the construction of the underlying investment mandate to the Portfolios, in combination with the smoothing mechanism employed, specific levels of real return are targeted in the medium to long term.

### ■ **Guarantees**

These portfolios offer a range of guarantees on benefit payments. The range caters for a variety of risk-return appetites through different guarantee levels. Old Mutual reserves the right to remove the non-guaranteed element in poor markets, by declaring a negative bonus. However, any non-guaranteed portion of client accounts existing at the time of benefit payments will be paid out as part of that payment.

### ■ **Stability**

The impact of short-term volatility in the market on investors is significantly reduced. If the fund were invested directly in the market, any member leaving in a down-market would suffer a reduction to their benefit value consistent with the magnitude of the downturn. Benefit events such as retirement, death, resignation, dismissal and retrenchment are typically difficult to predict, so timing an exit from the market can be difficult. Under the Absolute Growth Portfolios, these benefit events are less exposed to this timing risk.

### ■ **Liquidity**

In order to maximise the long-term returns, the Portfolios invest in certain 'growth' asset classes, such as direct property and alternative assets, that are not always available to all direct investors due to liquidity constraints. This means that a direct investment in these assets may not be easily accessible when benefits are taken. However, cash for benefit payments is readily available in the Absolute Growth Portfolios, thereby offering investors peace of mind that their benefit payments will be made timeously.

## 2. Portfolio Features

### 2.1 Overview

The Absolute Growth Portfolios use enhanced smoothing technology to deliver stable, inflation-beating returns to its investors in the most efficient manner. A range of guarantees is offered to cater for investors' alternate risk-return appetites. Returns on the portfolios are awarded in the form of monthly bonuses, declared at the beginning of each month.

The Absolute Growth Portfolio range has been developed to provide investors with an alternative to:

- Conservative portfolios and capital protection strategies
- Balanced portfolios
- Traditional Absolute Return funds and other inflation-targeting vehicles

In addition, the range offers aggressive investment mandates, a fully transparent bonus philosophy and an efficient charging structure.

Note that the information contained in this document provides an overview of the Absolute Growth Portfolios, and does not include an exhaustive list of the terms and conditions underlying the Portfolios, nor constitute an offer by Old Mutual. Contractual policy conditions will always apply. Product features, terms and conditions are subject to change.

### 2.2 Absolute Growth Portfolios 2009 Series

There has been continued and significant demand for the Absolute Growth Portfolios. Since the bonus smoothing reserve (BSR) level for the version of the product (launched in 2007) is sufficiently negative, in the early stages Old Mutual catered for this demand by launching a new series of the product on 1 April 2009. This series is available for clients in Old Mutual's traditional Smoothed Bonus Portfolios wishing to transfer or investing for the first time in Old Mutual Absolute Growth. This approach promotes equity between different generations of clients, and is considered by Old Mutual as a suitable step where there is significant demand for the product set while the BSR is at a level sufficiently above or below the expected long-term average level of 0% to 5%.

The 2009 series incorporates all three product options (Absolute Smooth Growth, Absolute Stable Growth and Absolute Secure Growth).

The 2007 and 2009 series are managed identically, except for different BSR levels initially, which will therefore dictate different bonuses for each series in the short- to medium-term. Once the BSR levels for the two series' are aligned, they will be merged into a single series. This ensures that investors in both series are not being adversely affected by such a merger, again promoting equitable treatment.

## 2.3 Suitability of Absolute Growth Portfolios

Absolute Growth Portfolios have been developed for defined benefit and defined contribution funds that wish to target market-related real returns, with varying levels of protection.

For defined contribution funds specifically, the bonuses declared monthly in advance make benefit administration simpler. Monthly in advance bonuses enhance equity between members leaving and those remaining invested, including members that leave a fund during a month.

## 2.4 Guarantees

The Absolute Growth Portfolios offer clients a choice of guarantee levels depending on risk-return appetite. The guaranteed level depends on the Absolute Growth Portfolio selected, as shown in the table below:

Portfolio Guarantee	Level
Absolute Smooth Growth	50%
Absolute Stable Growth	80%
Absolute Secure Growth	100%

For each fund, a unitised Investment Account will be maintained. It is credited with all contributions and bonuses declared. All benefit payments, switches, terminations, investment fees and tax (if applicable) are paid from this account. The value of the Investment Account will always be guaranteed on benefit payment. Benefit payment events include retirement, death, resignation, dismissal and retrenchment.

The value of the Investment Account is further guaranteed on limited Section 14 transfers and member-choice switches (where offered by a Fund). More detail and conditions are described in Section 3 of this document.

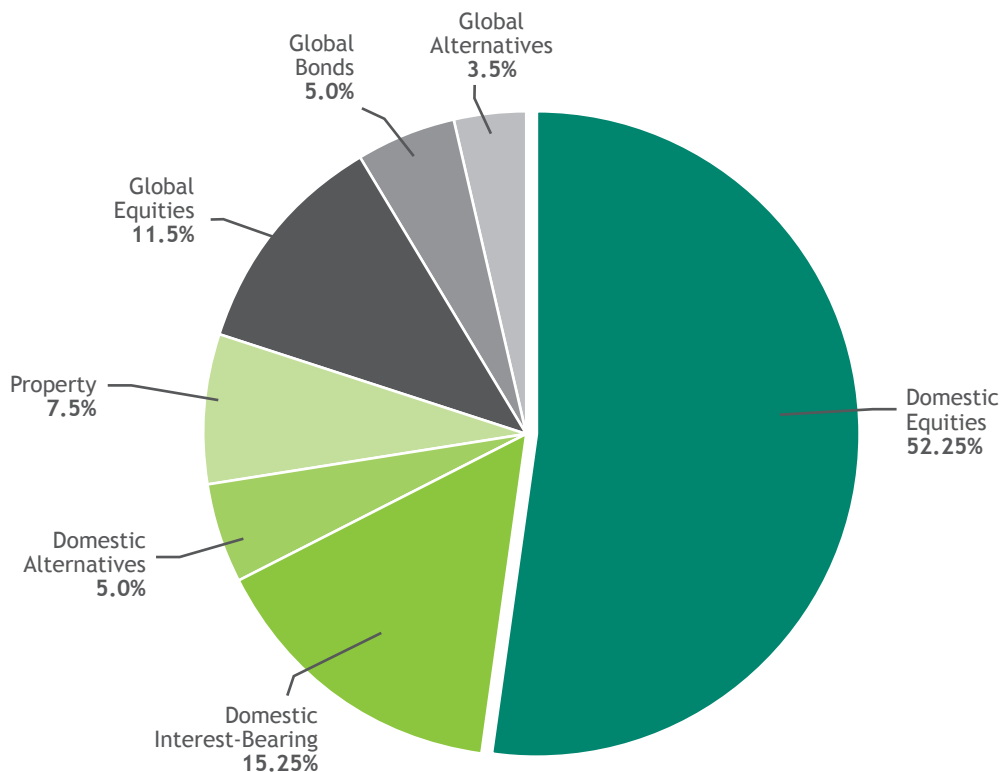
In severely adverse market conditions, Old Mutual may declare negative bonuses. This feature only applies to Absolute Smooth Growth and Absolute Stable Growth, and to the extent of their guarantee levels, which are less than 100%. The severity of market conditions initiating such action, and the magnitude of any such reduction, are detailed in Section 2.6 of this document.

### 2.5 Investment Mandate and Asset Allocation






The overall portfolio management function is performed by Old Mutual Investment Group (South Africa) (Pty) Ltd (OMIGSA), and may include exposure to external asset managers. A significant portion of the underlying portfolio is invested in assets that are expected to deliver inflation-beating growth over the medium to long term, such as equities, alternative investments (e.g. private equity) and direct property.


OMIGSA is South Africa’s largest asset manager and, as a major player in the local institutional market, it offers a wide range of investment products to local and international investors. OMIGSA is a wholly owned subsidiary of the Old Mutual Group, but operates as a fully contained and independent asset management company encompassing a number of different investment boutiques.

The strategic asset allocation for the Absolute Growth Portfolios is as follows:



The domestic equity proportion of the mandate is managed using a core/satellite investment structure to optimise efficient return generation from active management. The table below shows the strategic allocation between the core and satellite portfolios and which managers are mandated with these allocations. Tactical allocation between these portfolios will be allowed and allocation will be the responsibility of the overall portfolio manager, OMIGSA's Macro Strategy Investments boutique.

Management Style	Allocation	Manager
Passive Core Mandate	50%	
Active Core Mandate	20%	
Active Satellite Mandate	10%	
	10%	
	10%	



The investment mandate may be amended by Old Mutual from time to time.

## 2.6 Bonus Philosophy and Expected Returns

The investment returns earned on the underlying investment mandate are smoothed and passed on to investors by way of bonuses, declared by Old Mutual, monthly in advance. Therefore, returns to investors are known at the start of each month.

This smoothing mechanism significantly reduces the short-term volatility typically associated with market-related investments. A Bonus Smoothing Reserve (BSR) is maintained which absorbs the impact of the peaks and troughs experienced with investing in the market, while delivering real returns to investors in the medium to long term.

For the purposes of bonus declarations, the three product options will, as far as possible, be managed with a single BSR. This is to reduce the impact of volatility in cashflow experience within a single portfolio option. However, should the situation arise where negative bonuses apply to Absolute Smooth Growth or Absolute Stable Growth, or in any other circumstance deemed necessary by Old Mutual, the BSR's will be managed separately for some or all of the product options. BSR's may subsequently be combined, for e.g. when the BSR of two product options move to within the same 5% BSR range (i.e. 0% to 5%, 5% to 10%, etc). Such action will be taken to reduce the incidence of cross-subsidisation between the three portfolio options.

Each Portfolio targets declared returns based on inflation, as follows:

Portfolio	Inflation Target
Absolute Smooth Growth	CPI + 6.0%
Absolute Stable Growth	CPI + 5.5%
Absolute Secure Growth	CPI + 3.5%

These targets are measured over any rolling three-year period, i.e. the medium to long term. In the short-term, although there is an underlying degree of stability in the smoothing process, the bonus rate declared may vary up or down relative to a particular month's investment performance.

Because the Absolute Growth Portfolios' bonuses are based on a pre-defined formula, there is absolute transparency as to how bonuses are determined.

The process is as follows:

■ **While the bonus smoothing reserves (BSR) are 0% or greater**

The monthly bonus is defined as:

**A+B**, subject to a minimum of 0.05%

Where **A** =  $(1 + \text{CPI} + \text{return target})^{(1/12)} - 1$ , where the return target is the return target for the Absolute Growth Portfolio product option, and CPI is the rolling three-year CPI with a three-month lag.

Where **B** is an adjustment to A, which either adds or deducts a percentage to arrive at the bonus to be declared, and depends on the size of the BSR. The adjustment also depends on the band for the average three-year inflation (CPI). There are two bands - average three-year CPI less than or equal to 6% and average three-year CPI is greater than 6%.

Reserve	Average three-year CPI is less than or equal to 6%	Average three-year CPI is greater than 6%
0% (incl) to 5%	0.00%	-0.50%
5% (incl) to 10%	0.50%	0.00%
10% (incl) to 15%	0.75%	0.25%
15% (incl) to 20%	1.00%	0.50%
20% (incl) to 25%	1.25%	0.75%
25% (incl) to 30%	1.50%	1.00%
> 30% (incl)	1.75%	1.25%

- **While the bonus smoothing reserves (BSR) are between minus 15% and 0%**

The bonus is fixed, without linkage to CPI, and depends entirely on the size of the BSR as follows:

Reserve	Monthly Gross Bonus		
	Absolute Smooth Growth	Absolute Stable Growth	Absolute Secure Growth
-2.5% (incl) to 0%	0.49%	0.45%	0.29%
-5.0% (incl) to -2.5%	0.29%	0.25%	0.08%
-7.5% (incl) to -5.0%	0.14%	0.10%	0.05%
-15% (incl) to -7.5%	0.05%	0.05%	0.05%

- **While the bonus smoothing reserves (BSR) is less (more negative) than minus 15%**

Standard negative bonuses apply for Absolute Smooth Growth and Absolute Stable Growth, as follows:

Reserve	Gross Bonus
-20% (incl) to -15%	-15%
-25% (incl) to -20%	-20%
-30% (incl) to -25%	-25%
-35% (incl) to -30%	-30%
-40% (incl) to -35%	-35%
Below -40%	-40%

- The magnitude of the monthly negative bonus is subject to a maximum of the non-guaranteed portion on declaration (e.g. for Absolute Stable Growth, the negative bonus will not be more severe than -20%). Negative bonuses cannot be declared for the Absolute Secure Growth Portfolio, given that it is fully (100%) guaranteed.
- Old Mutual retains ultimate discretion on the bonuses declared, including the right to deviate from these formulae.

### Example

The monthly bonuses declared by the Absolute Growth Portfolios, allowing for the various levels of BSR, are as follows:

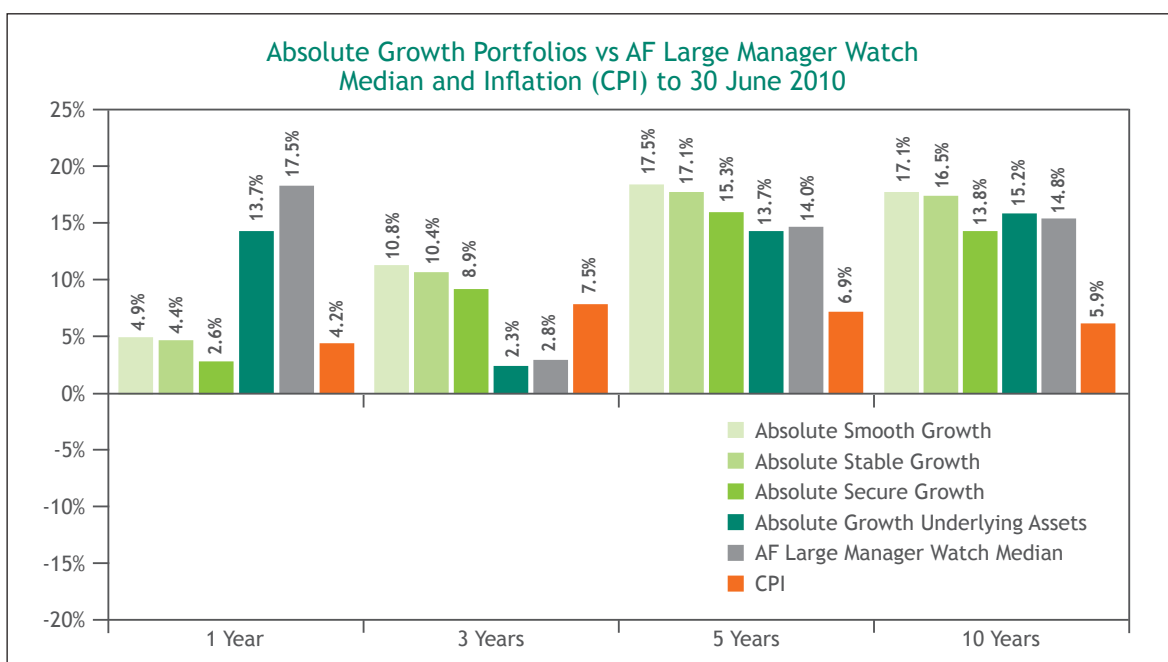
Reserve	Absolute Smooth Growth	Absolute Stable Growth	Absolute Secure Growth
Below -40%	-40.00%	n/a	n/a
-40% (incl) to -35%	-35.00%	n/a	n/a
-35% (incl) to -30%	-30.00%	n/a	n/a
-30% (incl) to -25%	-25.00%	n/a	n/a
-25% (incl) to -20%	-20.00%	-20.00%	n/a
-20% (incl) to -15%	-15.00%	-15.00%	n/a
-15% (incl) to -7.5%	0.05%	0.05%	0.05%
-7.5% (incl) to -5.0%	0.14%	0.10%	0.05%
-5.0% (incl) to -2.5%	0.29%	0.25%	0.08%
-2.5% (incl) to 0%	0.49%	0.45%	0.29%

Assuming two scenarios for an average CPI over the last 3-year period of 3% or 9% per year, the monthly bonuses declared by the Absolute Growth Portfolios, allowing for the various levels of BSR, are as follows for the two scenarios:

Reserve	Absolute Smooth Growth		Absolute Stable Growth		Absolute Secure Growth	
	Average three-year CPI equal to 3%	Average three-year CPI equal to 9%	Average three-year CPI equal to 3%	Average three-year CPI equal to 9%	Average three-year CPI equal to 3%	Average three-year CPI equal to 9%
0% to 5%	0.72%	0.67%	0.68%	0.63%	0.53%	0.49%
5% to 10%	1.22%	1.17%	1.18%	0.13%	1.03%	0.99%
10% to 15%	1.47%	1.42%	1.43%	1.38%	1.28%	1.24%
15% to 20%	1.72%	1.67%	1.68%	1.63%	1.53%	1.49%
20% to 25%	1.97%	1.92%	1.93%	1.88%	1.78%	1.74%
25% to 30%	2.22%	2.17%	2.18%	2.13%	2.03%	1.99%
Greater than 30%	2.47%	2.42%	2.43%	2.38%	2.28%	2.24%

The figures provided in the table above are provided for illustrative purposes only, as the average three-yearly CPI figure can be above or below the assumed figures per year.

All monthly bonuses are declared gross of investment management fees and tax (if applicable). As illustrated in the following graph, the Absolute Growth Portfolios would have produced gross returns well in excess of inflation in historical economic environments. In addition, these returns would have been consistent with the long-term return of the Alexander Forbes Large Manager Watch Median (a typical balanced market-linked fund), but without significant short-term volatility in returns.



The Absolute Growth Portfolios have only been declaring returns since 1 April 2007. The returns shown in the graph above are based on those likely to have been delivered in historical environments, as well as actual portfolio performance since 1 April 2007. Historical (or “back”) testing is a process whereby historic performance of the portfolio is simulated (recreated) based on the actual market history for the period concerned. The performance figures shown for Alexander Forbes and CPI are based on published information and are not back-tested.

The returns shown are provided for illustrative purposes only and past returns are not necessarily a good guide to future performance. The above comments should be considered when making performance comparisons.

## 2.7 Portfolio Size

The following table provides historic details of the assets under management (excluding the Bonus Smoothing Reserve) for the Absolute Smooth Growth, Absolute Stable Growth and Absolute Secure Growth Portfolios combined.

As at	Absolute Growth Assets Under Management
31 December 2007	R 4.3 bn
30 June 2008	R 22.8 bn
31 December 2008	R 24.5 bn
30 June 2009	R32.6 bn
30 June 2010	R34.2 bn

## 2.8 Disclosure and Governance

Old Mutual maintains the highest level of ethical standards in carrying out its business activities, and it is important to us to demonstrate to our clients, where possible, the extent to which we comply with this.

With this in mind, Old Mutual makes available the following:

- **Monthly Performance Fact Sheets** containing brief performance information, bonus history and asset allocation.
- **Quarterly Performance Reports** which cover an economic and market overview, more detailed performance comparisons with competitor portfolios, underlying portfolio returns and point-in-time BSR levels.
- **Ad Hoc Disclosure Reports** providing a detailed analysis of the performance and constituents of each underlying asset class, the bonus philosophy, point-in-time BSR levels and an indication of the capital reserves Old Mutual maintains to support portfolios with guarantees.
- **Ad Hoc Governance Reports** are produced to certify that the internal practices, processes and philosophies of our Absolute Growth business is in line with our stated governance principles. Old Mutual has enlisted the services of an independent auditor, KPMG, to oversee this process and provide independent assurance that these aims have been met.
- **The Principles and Practices of Financial Management (PPFM)** is publicised by Old Mutual and details the principles and practices that are applied in the management of its discretionary participation business. This is in line with the requirements of the Financial Services Board (Directive 147.A.i LT). In addition, a consumer-friendly version is available describing the principles and practices applicable to Old Mutual Corporate's Smoothed Bonus and Absolute Growth Business.

In addition, Old Mutual endeavours to give bi-annual report backs to the trustees of a Fund (under the leadership of the Head of Client Relationship Management, Roy Singh).

This information can be downloaded from the Old Mutual's website for corporate investors at [www.oldmutual.co.za/absolutegrowthportfolios](http://www.oldmutual.co.za/absolutegrowthportfolios). Disclosure and Governance reports for the year ended 30 June 2009 for the Absolute Growth portfolios will be available in the fourth quarter of 2009.

Clients can also request this and more information by contacting us at our central email address, [CorporateInvestments@oldmutual.com](mailto:CorporateInvestments@oldmutual.com).

## 2.9 Our Team



### **ROGER BIRT**

#### **Head: Guaranteed Investment Portfolios**

Roger completed a BBusSc degree in Actuarial Science at the University of Cape Town. He subsequently qualified as an actuary and is a Fellow of the Faculty of Actuaries (UK) and Actuarial Society of South Africa. Prior to joining Old Mutual, Roger spent four years in London, working in the Individual Pensions business area for Prudential plc. In 2005, Roger joined Old Mutual in an investment product support capacity and in 2007 assumed responsibility for product delivery and support across Old Mutual Corporate's range of guaranteed investment portfolios. Roger became Head of Guaranteed Investment Portfolios from January 2009.



### **ROY SINGH**

#### **Head: Investments Corporate Distribution**

Roy holds a formal Accounting qualification. He joined the Investment Services team of Old Mutual Corporate in 2003 with fifteen years of experience in life assurance, employee benefits and management development, with his primary focus being investments and asset management. He has engaged with a wide business network comprising of corporates, parastatals, trade unions, local authorities, intermediaries in financial services and the retirement fund industry. Roy has attended numerous management and specialist development programmes both locally and abroad (Nyenrode University and Lyon Business School) and holds longstanding memberships with the Investment Analysts Society of South Africa, the Black Management Forum and the Association of Black Securities and Investment Professionals.



### **DENZIL BURGER**

#### **Senior Portfolio Manager**

Denzil joined Old Mutual in 1983, and has held a number of different positions in the investment area. His broad experience has given him a wealth of knowledge across a wide range of investment matters, with one of his responsibilities having been the co-ordination of asset swap activity. Denzil managed the optimised portfolios of the Fairbairn Capital range and the PP Select Life portfolios from inception until September 2005. He has also managed pooled and segregated portfolios for South African and Namibian clients for many years. In 2003, he also took on responsibility for the management of the multi-style global asset portfolios of OMAM(SA), now OMIGSA. This primarily entails overall strategy and specialist manager selection. Denzil was appointed portfolio manager responsible for the investment strategy of the OMLAC(SA) Portfolios (Life Funds) in October 2005.

## 3. Terms and Conditions

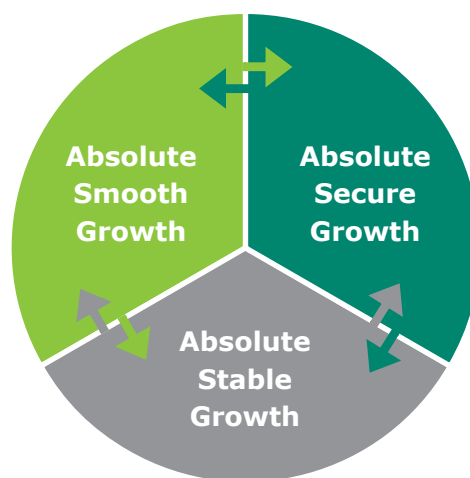
### 3.1 Payment of Policy Benefits

Money required from the policy in order to enable a Fund to meet its benefit obligations in terms of its Rules may be paid out from the policy. The benefit events covered are retirement, death, resignation, dismissal and retrenchment. These payments will be made within 48 hours of receipt of an authorised instruction to pay.

### 3.2 Switches

#### Portfolio Switches

Old Mutual will permit transitions between each of the Portfolios on a discretionary basis.



#### Member Level Investment Choice (MLIC) Switches

Where a Fund allows its members an individual choice as to the investment of their pension contributions, Old Mutual will accommodate the Fund by allowing it to make switches for the purpose of giving effect to the individual choices made by the Fund's members.

There are two types of switches:

#### 1. Investment Account Switches

- Switches of up to 10% of the fund credits (or equivalently Investment Account Value) at the start of the year will be allowed per year, on two dates, and will be

treated as benefit payments. The two dates must be specified at commencement of the policy, and one month's notice is required. Switches above this limit will be paid at the lower of the Investment Account Value and the Market Account Value (the market value of the assets underlying the Investment Account) (i.e. treated as partial terminations).

## 2. Market Account Switches

- Market Account switching allows members more frequent access than Investment Account switching.

The switch value shall be equal to the lesser of:

- Investment Account; and
  - Market Account (the market value of the assets underlying the investment account),
- If the member elects to switch x%, the Investment Account will be reduced by x%. The amount that will be paid will be x% of the switch value as calculated above.

## 3.3 Section 14 Transfers

A Section 14 transfer of liability is payable at full (Investment Account) value up to a limit of 10% p.a. of the policy value at the previous policy anniversary. Any Section 14 payments in excess of this limit will be processed as a Market Account Switch.

## 3.4 Surplus Apportionment Payments

Surplus apportionment payments are payable at full (Investment Account) value up to a limit of 10% p.a. of the policy value at the previous policy anniversary. Any surplus apportionment payments in excess of this limit will be processed as a Market Account Switch.

## 3.5 Terminations

The Fund may terminate a portion or the whole of the investment by giving at least one calendar month's written notice to Old Mutual.

Old Mutual shall be liable to pay to the Fund the lesser of the:

- Investment Account; and
- Market Account

### 3.6 Fees and Charges

#### Investment Management Fee

The investment management fee consists of a base fee and a performance fee component, accrued on a daily basis on the Investment Account and deducted monthly in arrear.

The base investment management fee will be charged, regardless of performance, according to the following sliding scale:

Investment Account	Annual Fee
For the first R50m	0.65%
For the next R100m	0.60%
For the next R150m	0.55%
For the next R200m	0.525%
In excess of R500m	0.50%

The performance investment management fee is calculated as follows (regardless of the Fund's Investment Account value):

- **15%** of the declared performance above the set CPI investment target (or penalty if below), over rolling 3-year periods.
- Therefore, if the set CPI investment target (i.e. CPI+5.5% for Absolute Stable Growth) is achieved, this will mean that no performance fee will be payable.
- The performance fee will be subject to a minimum of -0.15% (penalty) and capped at 0.30% per annum, calculated monthly. This will mean that for a Fund with less than R50 million invested in the Portfolios, the total investment management fee per annum will be subject to a minimum of 0.50% and a maximum of 0.95%.

#### Example

For a Fund with less than R50 million invested in the Portfolios, the following fees are payable based on the rolling 3-year performance stated:

Rolling 3-Year Performance	Base Fee	Performance Fee	Total Investment Management Fee
1% (or more) below CPI target	0.65%	-0.15%	0.50%
In line with CPI target	0.65%	0.00%	0.65%
0.60% above CPI target	0.65%	0.09%	0.74%
1% above CPI target	0.65%	0.15%	0.80%
2% (or more) above CPI target	0.65%	0.30%	0.95%

- Funds are charged a performance fee based on the declared returns over the previous 3 years. Funds that have not been invested for 3 years will be charged a performance fee specific to their duration since investment in the Absolute Growth Portfolio, and will assume performance before inception was in line with the set CPI investment target.

### Example

The performance fee for a client that has only been invested for 1 month will be based on the 3-year return figure, assuming 35 months' return in line with the set CPI investment target (i.e. CPI+5.5% for Absolute Stable Growth) and 1 month's actual performance earned.

The above rates are subject to an overall minimum fee of R5 000 per annum.

The investment management fee charged to the Fund includes asset management fees charged by the underlying asset manager(s), but specifically excludes performance based fees paid on alternative assets and to external (non-OMIGSA) asset managers.

### Capital Charges

A capital charge will be levied monthly in arrears on the assets underlying the policy. Thus any bonuses declared are net thereof. This charge is in respect of the capital Old Mutual needs to hold in order to back the Portfolios. The capital charges are shown in the following table:

Portfolio	Capital Charge
Absolute Smooth Growth	0.20%
Absolute Stable Growth	0.70%
Absolute Secure Growth	2.70%

## 4. About Old Mutual

### 4.1 Why Choose Old Mutual?

When choosing an appropriate provider of portfolios offering stable, smoothed returns and comprehensive guarantees, investors need to consider a number of issues. We include a brief summary of the reasons why Old Mutual is the most favoured provider for these types of portfolios below.

#### ■ Track Record

Old Mutual's first institutional Smoothed Bonus Portfolio was introduced in 1967. Over the years millions of investors have benefited from Old Mutual's investment expertise, without the guarantees provided by Old Mutual ever faltering. This extensive experience has allowed Old Mutual to establish the most reliable practices in the operation and governance of such portfolios.

#### ■ Competitive Returns

The well-diversified underlying asset mandate is actively managed to achieve superior investment returns. The underlying mandate is invested in a well-balanced portfolio of assets that are expected to deliver inflation-beating growth. These returns translate into the competitive bonus rates declared by Old Mutual. The competitiveness of these bonus rates are enhanced by both the level of returns and their stability from year to year.

#### ■ Financial Strength

The guarantees offered under the Absolute Growth Portfolios are backed by the strength of Old Mutual's balance sheet. The capital held by Old Mutual Life Assurance Company (South Africa) Limited significantly exceeds that required by legislation. Together, the magnitude of this capital and the ongoing stability of this position demonstrate the quality of Old Mutual's guarantees.

#### ■ Relative Size

Old Mutual's Smoothed Bonus Portfolios are larger than the rest of the smoothed bonus industry combined. This position enhances Old Mutual's ability to invest in diverse asset classes, enhances Old Mutual's capacity to smooth out adverse experience and endorses Old Mutual's position of leadership in the industry.

#### ■ People

Old Mutual believes that its most valuable asset is committed, motivated and skilled employees. The blend of actuarial, investment and administrative expertise of our staff working within our portfolio offerings, generates an important synergy for the benefit of the investor.

### ■ Innovation

Old Mutual is at the forefront of innovation in response to the changing needs of the retirement fund industry. A spectrum of Smoothed Bonus and Absolute Growth Portfolios have been developed to cater for the specific needs of defined benefit and defined contribution funds, including those offering member-level investment choice. Built-in flexibility helps investors to structure their ideal investment.

## 4.2 Financial Strength and Credit Rating

All guarantees relating to capital invested and bonus declarations in respect of the Absolute Growth Portfolios, as well as the entire Old Mutual Smoothed Bonus range, are backed by the shareholder capital of Old Mutual Life Assurance Company (SA) (OMLAC(SA)). The capital is there to protect the policyholders' guaranteed benefits from adverse investment conditions.

As explained below, the financial strength of Old Mutual is robust and provides you with the necessary security and peace of mind that, in severe investment environments, your guaranteed benefits will be paid.

OMLAC(SA)'s historic capital levels are shown below:

	December 2008	June 2009	December 2009	June 2010
Net Assets* (Rbn)	356.6	349.1	375.8	369.5
Actuarial Liabilities (Rbn)	314.0	307.4	330.0	324.5
Excess Assets on Statutory Basis (Rbn)	42.6	41.7	45.8	45.0
Statutory Capital Requirement (Rbn)	11.2	10.8	11.1	11.5
<b>Ratio of Shareholder Capital to Statutory Capital Requirement</b>	<b>3.8x</b>	<b>3.9 x</b>	<b>4.1 x</b>	<b>3.9 x</b>

\* Net of inadmissibles and other adjustments

As at 30 June 2010 OMLAC(SA) 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 an annual basis with the publication of the financial results of Old Mutual plc and may be reviewed between annual publications. The June 2010 capital position is based on the interim financial results.

The credit ratings awarded to the Old Mutual Group by two major international rating agencies still reflects the exceptional security to the guarantees offered by Old Mutual. The outlook has recently moved from 'negative' to a more 'stable' view, the overall rating still remains at very high levels and shows Old Mutual's dominant position in the South African financial services market.

The table below summarises Old Mutual's latest credit ratings:

Agency	Old Mutual plc			OMLAC(SA)		
	Rating	Date	Outlook	Rating	Date	Outlook
Moody's	Baa1	10/08/2010	Stable	A1	10/08/2010	Stable
Fitch	BBB	09/08/2010	Positive	AAA(zaf)	09/08/2010	Stable

Compared to the other large South African insurers, OMLAC(SA) is the only company with a AAA rating.

Further information about Old Mutual's credit ratings and credit reports are available on the Investor Centre under Old Mutual plc's website at [www.oldmutual.com](http://www.oldmutual.com).

### 4.3 Professional Indemnity Insurance

As a subsidiary of Old Mutual plc, OMLAC(SA) is insured by a policy effected by that company to cover losses sustained as a result of errors and omissions and / or the dishonesty of any employee anywhere in the world.

This cover extends to claims for damages or other relief arising from wrongful acts, including breaches of duty, neglect and misrepresentation.

The limit on the cover is at least £50,000,000 per claim and in aggregate.

### 4.4 Corporate Citizenship

Old Mutual plc is a major participant in the South African economy through its three subsidiaries: Old Mutual (SA), Nedcor and Mutual & Federal. Old Mutual is one of South Africa's largest and most well-established investment companies, with an established track record in the provision of life assurance, asset management, banking and general (short-term) insurance.

Old Mutual remains committed to addressing Black Economic Empowerment (BEE) and was actively involved in the drafting of the Financial Sector Charter (FSC). Our groundbreaking BEE deal, worth approximately R3.4 billion, saw a broad range of black stakeholders and as well as 11 000 staff members acquire direct ownership of more than 13% of Old Mutual (SA) by way of an offer of free company shares.

Significant strides have also been made in all the areas of transformation, including employment equity, skills development, procurement and social responsibility. The business relationships with the strategic Black Business Partners provide further impetus to our transformation initiatives.

The Broad-based Black Economic Empowerment Verification Report issued in respect of Old Mutual South Africa in October 2009 rated the company a level four contributor, with 100% recognition of the generic scorecard requirements.

More information on Old Mutual's empowerment transaction, social investment programme's and our Corporate Citizenship Reports are available at **[www.oldmutual.co.za](http://www.oldmutual.co.za)**.

## 5. Compliance

Old Mutual is a Licensed Financial Services Provider. As a registered long-term life insurer and an approved retirement fund administrator, Old Mutual Life Assurance Company (South Africa) Limited (OMLAC(SA)) is subject, inter alia, to the provisions of the Long-term Insurance Act, 1998 and the Pension Funds Act, 1956.

Old Mutual Corporate is an operating division of OMLAC(SA) and is thus subject to the same compliance standards and controls as OMLAC(SA). This includes the appointment of a Compliance Officer, the maintenance of checklists identifying the extent of adherence to legislative and regulatory requirements and reporting on a regular basis to the Group Compliance Officer for the Southern African Operations and to the Compliance and Risk Management Committee of Old Mutual plc, based in London.

Adherence to compliance and quality standards is ensured by the identification of accountable individuals, ongoing checks and the provision of regular reports to the Chief Executive Officer of Old Mutual Corporate. Compliance is measured against legislated requirements and the specified contractual undertakings.

Standards are reviewed on an annual basis, with additions and amendments being made as and when legislative changes necessitate this.

The information contained in this document is provided as general information and does not constitute an offer by Old Mutual. Users should be aware that short-term performance can be volatile and that past performance is not necessarily indicative of future performance. Every effort has been made to ensure that the information contained in this document is accurate.

Should you have any statutory compliance queries, please address these in writing to:

**The Compliance Officer**

Corporate Compliance Department  
Old Mutual Corporate  
PO Box 66  
Cape Town  
8000  
SOUTH AFRICA

Tel 021 504 7167

Fax 021 504 7333



## 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:

Johannesburg	:	011 217 1000
Pretoria	:	012 360 0000
Western Cape	:	021 530 9600
KwaZulu-Natal	:	031 250 4950
Eastern Cape	:	041 391 6300

**Email us:**

[CorporatInvestments@oldmutual.com](mailto:CorporatInvestments@oldmutual.com)

**Visit our website for corporate investors:**

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

Old Mutual Life Assurance Company (South Africa) Limited is a Licensed Financial Services Provider, Jan Smuts Drive, Pinelands 7406, South Africa.  
Company registration no:1999/004643/06.