

Old Mutual Capital Growth



Growth happens. Protect it.



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1 ● Old Mutual Capital Growth

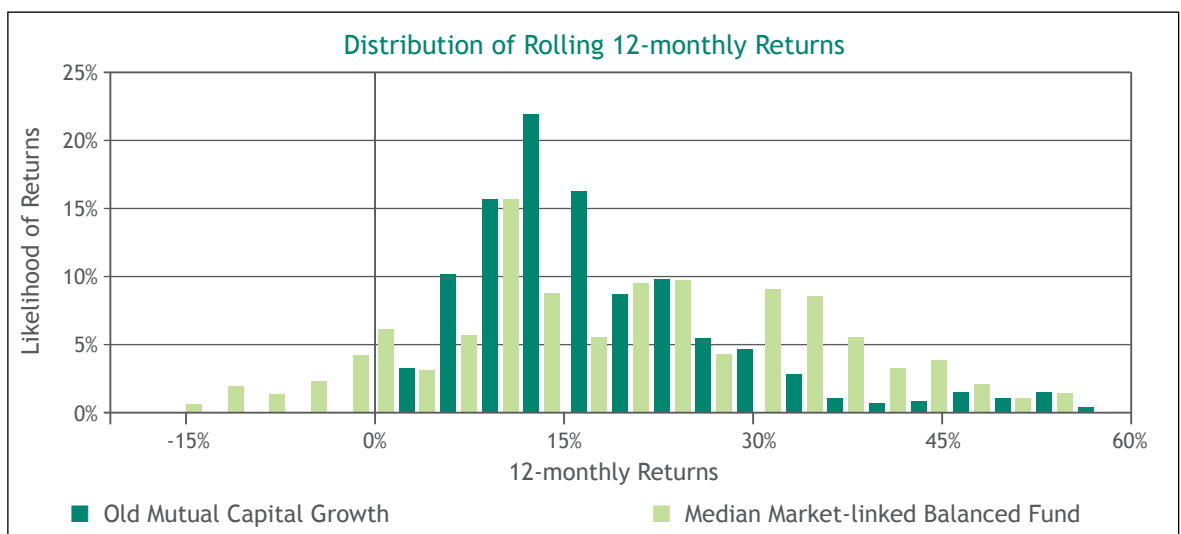
Absolute Return Fund with Explicit Capital Guarantees

Old Mutual Capital Growth is a pooled unitised portfolio that provides increasing capital protection while at the same time targeting investment growth in excess of inflation.

Capital Growth’s performance is tracked by a daily unit price (net of fees, gross of tax), reflecting any growth of the portfolio. While the daily unit prices calculated during an investment quarter may fluctuate, depending on the portfolio performance, Old Mutual guarantees that daily unit prices will not fall below the minimum unit price that has been set for that investment quarter. The guaranteed minimum unit price set for each investment quarter will be equal to the daily unit price that prevailed on the quarterend date of the previous investment quarter. The guaranteed minimum unit price can never reduce and will reflect positive growth generated by the portfolio.

The growth objective of the portfolio is to deliver absolute returns of CPI+4% p.a., net of fees (but gross of tax), over rolling three-year periods. The protection objective is a guarantee, backed by Old Mutual that the unit price will never fall below its quarterly guaranteed minimum value.

The graph below indicates the growth and protection objectives relative to the median market-linked balanced fund. Old Mutual Capital Growth’s returns are distributed over a narrower return band relative to the median market-linked balanced fund – ensuring greater growth certainty, while guaranteeing non-negative returns over product quarters.



The graph above is for illustrative purposes only and is based on back-tested returns.

2. Portfolio Features

2.1 Overview

The past few years have seen Absolute Return Funds becoming increasingly popular. Essentially these are investment products that express their investment return objective, or aim, in relation to Consumer Price Inflation (CPI). The predominant reason for the popularity of such products is the simplicity of this objective. Inflation is a widely understood concept and a widely quoted figure. This makes the objective, or benchmark, of a fund both easily understood and easily verifiable.

The fact that many Investment Policy Statements of Pension and Provident Funds express their aims in a similar way (in relation to CPI) and the backing of consultants that Absolute Return Funds have enjoyed, have also added momentum to this trend.

However, there are a few arguable criticisms of Absolute Return Funds. The most significant one is that the objectives of these investment products are just that – objectives, or alternately, intentions. No guarantee is provided that their protection targets will be achieved and, crucially, an asset manager in isolation cannot provide any explicit guarantees. Although some asset managers may introduce performance-related fees (which are not charged if they do not meet their target), this reduced fee is a small consolation for the potential downside risk.

Old Mutual Capital Growth is a pooled unitised portfolio that provides increasing capital protection while targeting investment growth in excess of inflation.

Key product features are:

- Absolute return target of CPI+4% per annum (net of fees and before the effects of tax), over rolling 3-year period
- Assets managed by Old Mutual Investment Group South Africa (OMIGSA)
- Daily unit prices
- 100% capital guarantees (net of fees and before the effects of tax) underwritten by Old Mutual, increasing quarterly to lock-in investment growth achieved
- No disinvestment restrictions at quarter-end, with liquidity intra-quarter
- Innovative fee structure
- Simplicity

2.2 Suitability of Capital Growth

Capital Growth is ideal for institutional investors who require downside protection, but at the same time desire investment growth in excess of inflation.

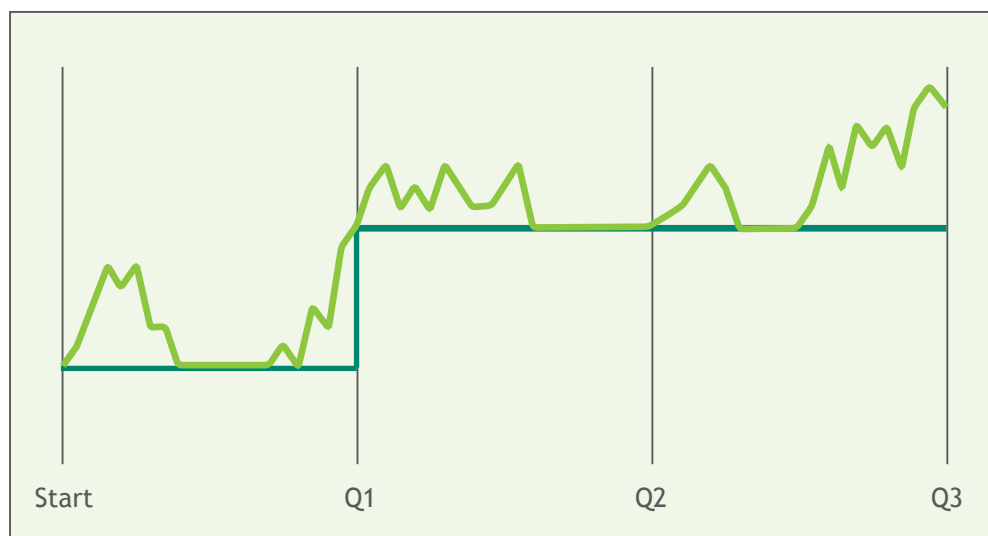
Capital Growth is appropriate for:

- Retirement funds that require capital protection and positive real returns
- Retirement funds with a low-risk core holding (who want to avoid the volatility of fully market-linked investments)
- Retirement funds with individual member choice
- Lifestaging options, especially for those members close to retirement
- Institutional investors with a medium-term investment horizon (i.e. surplus money, liquidations, Section 14 transfers, restructuring)

2.3 Guarantees

Capital Growth makes use of a combination of derivative instruments and capital-backed risk management techniques to provide efficient capital guarantees to investors.

Capital Growth's performance is tracked by a daily unit price (net of fees and before the effects of tax) reflecting the growth of the underlying portfolio. The unit price is guaranteed not to fall below a quarterly minimum unit price. Each new quarter, the guaranteed minimum unit price will reset to the previous quarter-end unit price, reflecting positive growth generated by the underlying portfolio. This will be the level of guarantee applied for the new quarter. The guaranteed minimum unit price can never reduce.



Capital Growth is based on fixed quarterly product dates, starting 1 December, 1 March, June and 1 September each year.

2.4 Investment Mandate and Asset Allocation

Capital Growth makes use of a combination of derivative instruments and capital-backed risk management techniques to provide efficient capital guarantees to investors.

There are four components, managed together in a highly flexible and efficient way, making up the investment strategy:

- Stock selection
- Derivative structures
- Dynamic asset allocation
- Risk management reserve

This combination of more aggressive stock selection, derivative instruments, dynamic asset allocation and the risk management reserve provides a highly efficient way of managing the investment structure over the long-term. In cases where the investment structure does not achieve complete protection for investors, Old Mutual's shareholder capital will be used to provide the guarantees.

The Investment Structuring Group of OMIGSA is responsible for managing the underlying investments and derivative instruments. The underlying asset portfolio will be more aggressively managed according to OMIGSA's research view, which further increases the return potential of the product. The Investment Structuring Group has considerable experience in investment risk management, of which the Old Mutual Dynamic Floor Fund and the OMIGSA Absolute Return Fund are examples.

A small risk management reserve is set up to cover the long-term expected cost of the investment structure not providing full protection over a given quarter. Capital Growth will, each day, allocate 1% per annum of the portfolio value towards the risk management reserve. The reserve size will be limited to a minimum of -1.5% and a maximum of 3% at any stage. The benefit of the reserve is that it allows a more aggressive investment strategy, ultimately targeting higher long-term expected investment growth.

Capital Growth will primarily invest in large capitalisation shares in the local equity market, the ALSI Top 40, and cash. Apart from this, the portfolio may also hold a combination of money market instruments, local bonds or alternative investments. The long-term effective equity exposure of the product is expected to be between 40% and 45%.

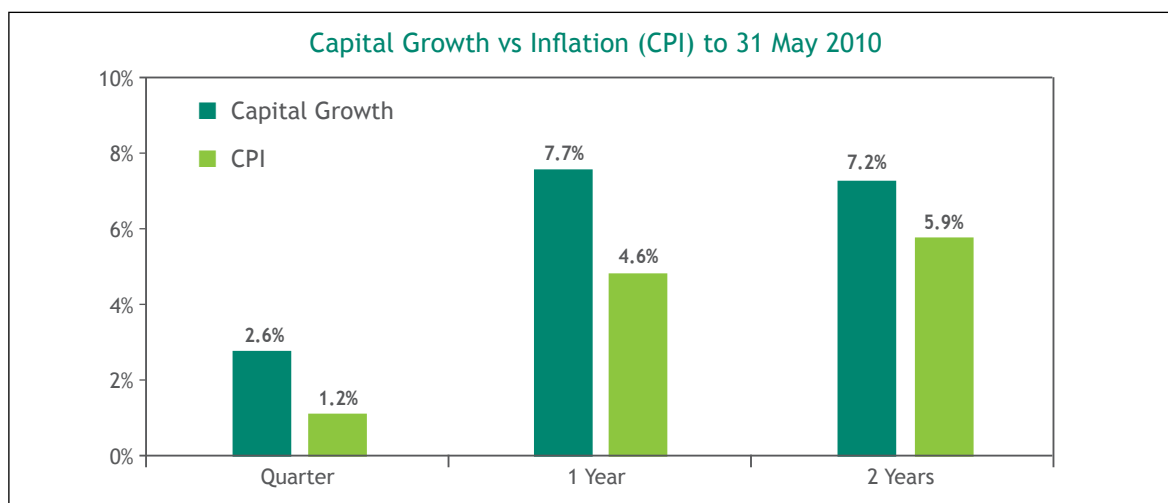
The portfolio is Regulation 28 compliant.

2.5 Expected Returns

The performance target of Capital Growth is to deliver investment growth of CPI+4% (net of fees and before the effects of tax), over any rolling three-year period.

Actual Performance

The graph below shows the actual performance, net of all fees and gross of tax, of Capital Growth compared to CPI Inflation over various periods to 31 May 2010.



The following table shows the performance (net of all fees and gross of tax) per quarter and over rolling 1-year periods of Capital Growth since inception on 1 December 2005.

Quarter Ended	Previous Quarter	Previous Year
28 February 2006	9.16%	-
31 May 2006	2.26%	-
31 August 2006	3.27%	-
30 November 2006	1.77%	17.32%
28 February 2007	5.12%	12.97%
31 May 2007	3.78%	14.66%
31 August 2007	0.66%	11.76%
30 November 2007	3.94%	14.14%
29 February 2008	0.00%	8.58%
31 May 2008	1.36%	6.04%
31 August 2008	0.00%	5.35%
30 November 2008	0.00%	1.36%
28 February 2009	1.09%	2.46%
31 May 2009	5.62%	6.77%
31 August 2009	2.82%	9.78%
30 November 2009	2.09%	12.08%
28 February 2010	0.00%	10.86%
31 May 2010	2.62%	7.71%

Performance information is made available each quarter in the Capital Growth Quarterly Performance Fact Sheets which can be downloaded from the Old Mutual website for corporate investors at www.oldmutual.co.za/corporate.

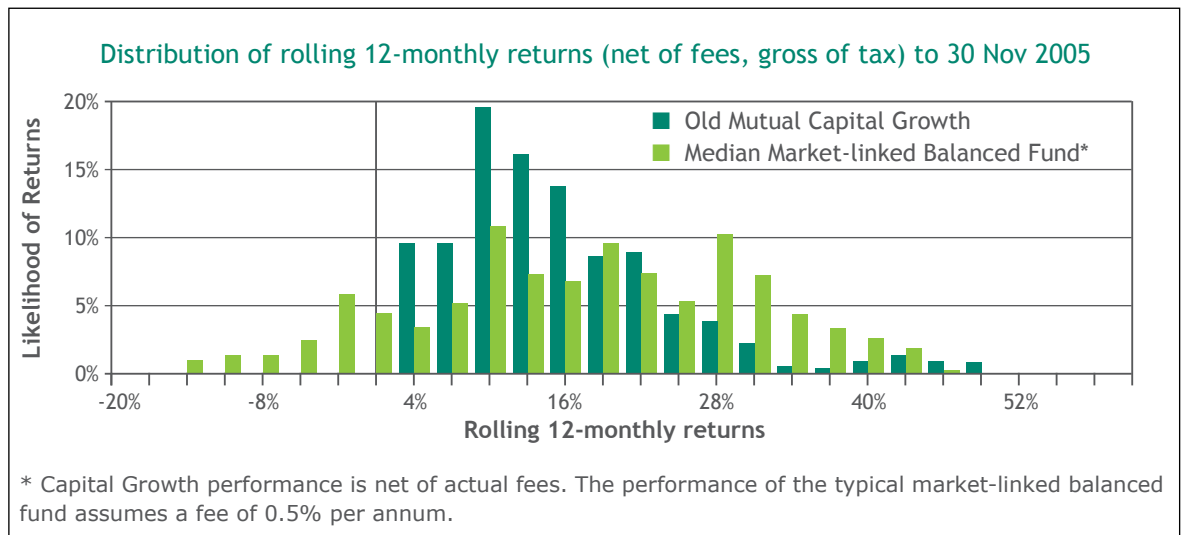
Backtested Performance

The table below shows backtested returns (net of all fees and gross of tax) for Capital Growth over eight years to 30 November 2005. The returns shown are based on those likely to have been delivered in historical environments. 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. These figures, however, exclude the stock selection element in the investment structure, which is expected to add approximately 1% to Capital Growth's performance over the long term each year.

The returns shown here and in the remainder of this section 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.

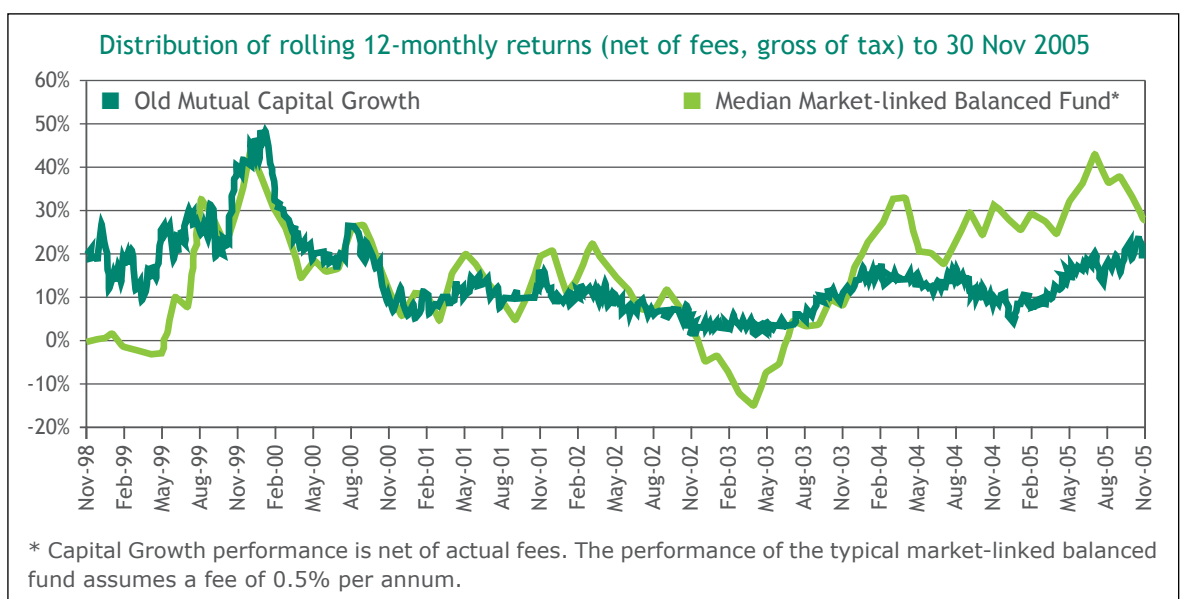
End of	Quarter	Year	End of	Quarter	Year
Q1 1998	12.7%	-	Q1 2002	0.0%	11.9%
Q2 1998	2.5%	-	Q2 2002	2.2%	9.4%
Q3 1998	0.0%	-	Q3 2002	0.0%	6.7%
Q4 1998	4.2%	20.4%	Q4 2002	0.7%	2.9%
Q1 1999	9.7%	17.2%	Q1 2003	1.1%	4.0%
Q2 1999	10.4%	26.3%	Q2 2003	1.5%	3.4%
Q3 1999	0.0%	26.3%	Q3 2003	2.4%	5.8%
Q4 1999	14.5%	38.7%	Q4 2003	4.5%	9.8%
Q1 2000	3.6%	31.0%	Q1 2004	5.1%	14.1%
Q2 2000	1.3%	20.1%	Q2 2004	0.0%	12.4%
Q3 2000	4.1%	25.1%	Q3 2004	3.8%	13.9%
Q4 2000	0.0%	9.3%	Q4 2004	0.1%	9.1%
Q1 2001	2.2%	7.8%	Q1 2005	4.8%	8.9%
Q2 2001	4.5%	11.2%	Q2 2005	7.0%	16.5%
Q3 2001	2.6%	9.6%	Q3 2005	5.1%	18.0%
Q4 2001	4.4%	14.4%	Q4 2005	3.3%	21.7%

The graph below shows the distribution profile of backtested Capital Growth returns relative to a typical balanced market-linked fund over the backtested period.



The graph illustrates that Capital Growth would have consistently delivered positive annual returns (between 0% pa and 20% pa) while investors in a typical balanced market-linked fund would have been exposed to a wider range of returns (from -14% to 49%) over the same period. In addition, Capital Growth ensures capital protection (i.e. never delivering a negative return) over the period shown.

The following graph illustrates the same backtested performance of Capital Growth compared to a typical balanced market-linked fund rather than the distribution, to identify the likely performance in down (or “bear”) markets and (or “bull”) markets:



The graph highlights the likely performance of the product in down (bear) and up (bull) markets:

- **Client expectations in down (bear) markets**

Old Mutual Capital Growth will provide full quarterly protection (guarantees) during down markets. The graph clearly illustrates this, as Capital Growth would have provided non-negative 12-monthly returns during the down markets in 1999 and 2003, compared to large negative returns delivered by a typical balanced fund.

- **Client expectations in up (bull) markets**

Old Mutual Capital Growth would also share in higher returns if markets run. For example, during the high interest rate environment at the end of 1999, Capital Growth would have provided exceptionally high returns – even outperforming the median balanced fund (which would not have provided any protection against market falls). Also, during lower interest rate environments (e.g. 2004 and 2005) Capital Growth would have offered competitive returns. However, in such circumstances, Capital Growth may hold a lower equity component than market-linked funds (to ensure capital protection) and will therefore not always share to the same extent in the upward market movement.

2.6 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 programs 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.



JOHN GILCHIST

Senior Portfolio Manager

John is a qualified CA (SA) with an MBA (with distinction) from INSEAD (France). Since joining Old Mutual Asset Managers (OMAM) in 2004 as a portfolio manager in the OMAM Investment Structuring Group, he has developed and currently manages a number of innovative risk-based funds, ranging from absolute return funds and structured products to hedge funds. John has extensive experience in the derivatives arena and the equity markets, having spent four years as Head of Derivatives at a major investment bank. During this period John was a member of the bank's business committee and served in his personal capacity as a member of the SAFEX Financial Derivatives Advisory Committee. In addition, John's early work experience in auditing and consulting was focused on bank treasury operations and risk management.

3. Terms and Conditions

3.1 Cashflows

Lump sum investments

Lump sum investments will be structured to coincide with Capital Growth's pre-defined quarterly investment start dates. Such investments require 6 business days' notice before the start of the next product quarter, while the actual money is required to be invested in the product at least 2 business days before the next quarter start. This money will be invested in a cash portfolio until the start of the new quarter, when it will be invested into the main portfolio.

Recurring contributions

Recurring investments will be invested directly into the main portfolio on a daily basis, if instructions are received before 10:00 am on that day. However, recurring investments during a quarter may be subject to small falls should the prevailing unit price fall (to a minimum of the quarter's guaranteed unit price) by quarter end. Clients have the alternative option to invest intra-quarter recurring investments in a cash portfolio (with a separate cash unit price) instead, which will automatically be invested in the main Capital Growth portfolio at the start of the next quarter.

The cash unit price will reflect the growth in the intra-quarter cash portfolio. The net growth in this portfolio (i.e. net of fees but gross of tax) will be equal to the South African Repo Rate minus 1% per year. The cash unit price is calculated daily and is net of fees and before the effects of tax.

Disinvestments

No distinction is made between different types of exits from the product – all disinvestments are treated the same. All disinvestments are paid at the higher of the daily underlying portfolio value or the guaranteed unit price, i.e. the prevailing unit price.

At quarter-end: Unlimited disinvestments are allowed at prevailing unit price. Such disinvestments require 6 business days' notice before the end of the product quarter.

Intra-quarter: Up to 10% disinvestments of a client's investment value at the start of the quarter are allowed at the prevailing unit price. Intraquarter disinvestments will be processed on the same day if instructions are

received before 10:00 am.

(To accommodate smaller clients, who may have a senior executive making up more than 10% of the client's retirement fund, Capital Growth will allow single intra-quarter benefit payments up to R10 million from the portfolio, even if this is above the 10% intra-quarter limit. However, clients should notify Old Mutual of such individual disinvestments (e.g. member retirement/death) in advance and supply proof of the specific benefit event before such disinvestments will be allowed.)

All investments and disinvestments are subject to liquidity constraints.

3.2 Liquidity

The main Capital Growth portfolio provides net daily liquidity up to a limit of R100 million per day across the entire portfolio during the quarter (across all clients). If total daily net investments or disinvestments exceed this limit, the amount in excess of the limit will be invested/disinvested the following day(s) at the unit price then applicable. Preference will be given in the order in which instructions are received by Old Mutual. This limit *does not* apply to quarter-end transactions.

3.3 Fees

Capital Growth Portfolio

The fee structure for the Capital Growth portfolio consists of a base fee and a performance fee.

The base fee is 0.6% per annum (including a capital charge of 0.3% per annum), which will always be charged to clients, regardless of performance.

A further quarterly performance fee of 10% of the net outperformance above CPI+4%, calculated quarterly, will be charged. The quarterly performance fee is limited of 0.5% per quarter.

The above fee structure aligns the interests of both the investment manager and investor, as it incentivises the investment manager to outperform but at the same time withholds part of the fee if investment performance is below target. A client will therefore only pay the additional performance fee if the product delivered returns in excess of the return target.

Cash Portfolio

A fixed fee of 0.2% per annum will be charged on the cash units in the product. This fee will be calculated daily and is inclusive of all bank and administration charges. The daily cash unit price will be net of this fee, i.e. daily cash unit price growth of SA Repo Rate

4. Administration

4.1 Reporting Standards

Old Mutual Corporate will:

- Make unit prices available daily.
- Provide your Fund's administrator with a monthly Investment Certificate that will reflect the current value of the fund's account as well as cashflows for the month.
- Provide the Fund with a quarterly update on the effective asset allocation, all fees paid, underlying investment performance and the level of the risk management reserve. Underlying investment performance is also available through the unit price on a daily basis.
- Provide your Fund's administrator with income tax certificates twice a year (during March and September).

5. About Old Mutual

5.1 Why choose Old Mutual?

We include below a brief summary of the reasons why Old Mutual is the most favoured provider for these types of portfolios.

■ Track Record

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.

■ Financial Strength

The guarantees offered 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.

■ 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.

5.2 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	June 2010
Net Assets* (Rbn)	356.6	349.1	369.5
Actuarial Liabilities (Rbn)	314.0	307.4	324.5
Excess Assets on Statutory Basis (Rbn)	42.6	41.7	45.0
Statutory Capital Requirement (Rbn)	11.2	10.8	11.5
Ratio of Shareholder Capital to Statutory Capital Requirement	3.8x	3.9 x	3.9 x

* 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 table below summarises Old Mutual's latest credit ratings. 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.

5.3 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.

5.4 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**.

6. 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

E-mail us:

CorporateInvestments@oldmutual.com

Visit our website for corporate investors:

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.