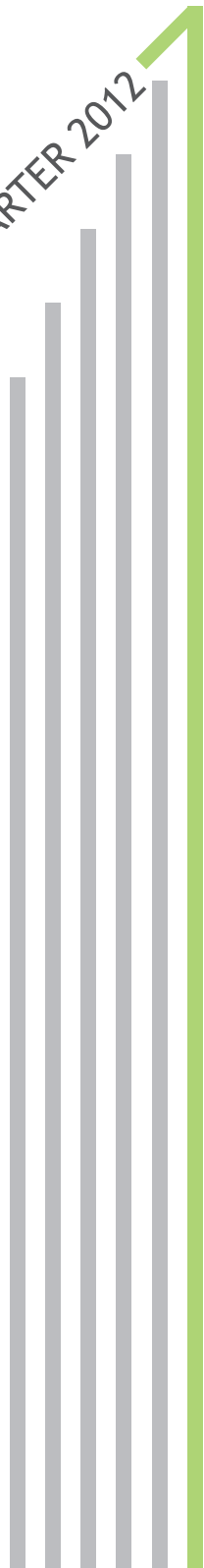


1ST QUARTER 2012



# Old Mutual Smoothed Bonus Portfolios

QUARTERLY REPORT

Growth Happens. Protect It.



**OLD MUTUAL**

Corporate

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Fred van der Vyver

Head: Guaranteed  
Investment Portfolios,  
Investment Services  
(Corporate)

# Celebrating optimal investment performance

In March this year, we passed the 5-year mark of our flagship Smoothed Bonus Portfolio, the Absolute Growth Portfolios. At more than R45bn of assets under management in this portfolio alone, it is one of South Africa's largest institutional investment fund offerings. With this significant amount of assets under management and more than 40 years of experience in managing Smoothed Bonus Portfolios, we are able to offer investors unique investment opportunities to achieve optimal long-term investment performance. In this report, we celebrate the investment performance of the Absolute Growth Portfolios since its launch in 2007 and also focus on the reasons behind the success of our range of Smoothed Bonus Portfolios.

## AGP - five years down the road and going strong

Since the launch of the Guaranteed Fund back in 1967, our guaranteed investment product offering has evolved with the times. We have launched a number of new products and made various product enhancements to keep up with changes in the industry and the needs of our clients. Our current flagship product, the Absolute Growth Portfolios, was launched in 2007 and this portfolio has now exceeded R45bn of assets under management.

With a return of 11.4% p.a. for Absolute Smooth Growth since the inception of the product, it not only fully protected investors against the downturn in 2008 and 2009, but also managed to deliver returns in excess of inflation and also outperformed the local equity market by 4.2% p.a.

We share more information about the success of the Absolute Growth Portfolios on page 5.

## Drivers of success - alternative sources of return add value

A key driver of our investment success is our long-term investment philosophy. We believe it is possible to unlock value for our investors over time and deliver optimal investment returns by investing in carefully selected asset classes with high long-term expected returns. In a world where sufficient real returns are hard to find, investors may need to look beyond the traditional asset classes for additional sources of real returns.

One of the differentiating components of our investment strategy is our investment in alternative asset classes such as private (unlisted) equities and direct property. These asset classes can offer rewarding returns, but they require time and investment of sizeable amounts to be successful. Both these criteria can comfortably be met by our Smoothed Bonus Portfolios. The large size of our portfolios allows us to invest in these asset classes without compromising the overall level of

diversification of the portfolio. The long-term nature of investing in these asset classes also fits perfectly into our long-term investment philosophy with real value being realised over time.

A great example of the additional value added for our investors from these asset classes is the fact that our Old Mutual Private Equity (OMPE) Fund I delivered an aggregated return of 40% p.a. over the period since March 2004. On page 8 of this report, our topical article focuses on the various alternative asset classes that our portfolios invest in, highlighting some of the reasons why we believe investment in these asset classes offers our investors an advantage to earn superior long-term returns in the current challenging environment. More detailed information about recent successful private equity deals can also be found on page 13.

## Local equity capability developments

As part of the ongoing management of our Smoothed Bonus Portfolios, Old Mutual continually reviews the investment mandates of these portfolios. This function is carried out by our dedicated Mandate Management unit. Part of Mandate Management's ongoing responsibilities is to review performance and to ensure that the various underlying asset class portfolios are performing in line with their mandates.

As part of an ongoing business review process within Old Mutual Investment Group (South Africa) (OMIGSA), they have recently announced the integration of their equity capability, including the formation of the new "Old Mutual Equity" boutique, with Toros Equity and Value Equity ceasing to exist. This new structure will be given due consideration during our ongoing review of the local equity asset class. In the interim, our Toros Equity and Value Equity investments will continue to be managed according to their original mandates. We have ensured that the new structure will have no implications for clients in the short term, while any long-term implications of the boutique structure are being given the necessary consideration.

## Update on Regulation 28

Regulation 28 currently continues to exempt long-term policies (under the Long-term Insurance Act) with a guarantee, or partial guarantee. The FSB provided draft guidance on

guarantees and partial guarantees towards the end of last year that requires the statutory actuary of a long-term insurer to issue a certificate to the effect that a long-term policy guarantees or partially guarantees policy benefits. This guidance has not been finalised yet and, consequently, we are not in a position to issue a certificate from the statutory actuary. As a result, all our smoothed bonus policies will remain exempt until the guidance has been finalised.

However, we do expect that most of our guaranteed products, if not all of them, will continue to be exempt from Regulation 28. When the FSB provides the final guidance, and should any of our products not be exempt, we will certainly provide the level of reporting required.

## Dividend Withholding Tax

In his 2011 Budget speech, Minister of Finance Pravin Gordhan announced that Dividend Withholding Tax (DWT) will come into effect from 1 April 2012. Dividends paid to South African companies or specified tax-exempt institutions, including retirement funds, are fully exempt from DWT provided a written declaration is submitted to the declaring company or regulated intermediary. However, to the extent that an investment is held through a policy issued in terms of the Long-term Insurance Act (including all of our Smoothed Bonus Portfolios), it is not necessary for an exemption declaration to be provided. No action is therefore required by any investors invested in these portfolios. Dividends received in respect of all policies (except those issued to individuals) will not be subject to DWT.

## Assessing performance

Our previous quarterly report included commentary on the economic environment that we find ourselves in, and what it means for investors invested in our Smoothed Bonus Portfolios. We recognise that recent performance, as well as the outlook for the short to medium term, is below historic long-term averages. The low real returns earned from various asset classes contributed to the fact that returns over recent years did not meet the real return targets. But, assessing performance goes beyond purely comparing returns relative to inflation. Most investors have investment objectives with at least two dimensions, risk and return. To assess investment performance requires a thorough assessment of both these dimensions.

It is also important to assess investment performance within the context of the economic environment in which these returns were earned. In the last five years, we have seen one of the most severe downturns in asset prices in recent history, together with periods of extreme volatility and uncertainty around the world.

Considering the nature of investment objectives, and the economic environment, it becomes relevant to assess performance against the backdrop of the risk constrained investment objective. I would therefore highlight the superior risk-adjusted returns of our Smoothed Bonus Portfolios given the challenging investment environment as demonstrated in the table on page 7. Not only have our smooth bonus products delivered excellent performance over the last five years, but they have achieved these returns with very low levels of volatility associated with it. With these products, it is possible to achieve optimal long-term returns without accepting unnecessary risk.

## Future return expectations

Despite our positive reserve levels (of which more detail is provided on page 21), the outlook for the short to medium term remains muted. Investors should take this into consideration when forming expectations about short- to medium-term returns. However, it is important to emphasise that AGP's real return targets are set taking into consideration the long-term investment strategy, cost of providing the guarantees and Old Mutual's return expectations from the underlying asset classes over time horizons in excess of 30 years. This approach reflects the long-term nature of investments made into these products and also supports our approach of developing investment solutions based on long-term investment fundamentals.

We remain confident that returns are likely to revert to normalised levels in the long run. For that reason, we believe that our Smoothed Bonus Portfolios remain well positioned to achieve their return targets over the long term. In the meantime, investors can be assured that our smoothing mechanism will continue to protect investors against the volatility of investment markets and that the capital guarantees offered are backed by Old Mutual's sound balance sheet and excellent credit rating.



Eddie Theron

Marketing Actuary,  
Investment Services  
(Corporate)

# AGP celebrates 5 years

On the 1st of April this year Old Mutual's flagship smoothed bonus fund offering, the Absolute Growth Portfolios (AGP), celebrated its fifth birthday. Incepted in April 2007, AGP has weathered one of the most severe investment storms in recent history. In this short article, we look back over these last five years to evaluate AGP's performance against some commonly used investment performance measures. Comparing against two other investment vehicles, AGP has excelled and we are proud to share these excellent results.

## Measuring growth and protection

In a perfect investment world, the perfect investment would be one that offers maximum growth and maximum protection at the same time. In our imperfect world investors have become used to investments that perform well on one measure, but not both at the same time. The world we live in is also one of credit and government debt crises, tsunamis and (thankfully) bull runs. This means that investment returns are often unpredictable and variable. Investments might not be perfect or predictable, but we can still measure their track records and compare the levels of growth and protection they provided in the past.

Measuring growth is the most straight-forward, and is usually shown analysing returns against inflation. The level of protection that an investment provides is a little trickier to measure, and a wide variety of measures can be used. Protection is associated with investment risk, which in turn is commonly measured in terms of the variability of returns, and/or the risk of an investment losing capital. For our measuring exercise, we will use volatility (or the variability of returns around their average) as a measure of variability, and maximum drawdown as a measure of an investment's ability to protect against capital losses. Maximum drawdown is the worst period of cumulative performance where performance is

negative. Where no negative performance exists, it is taken as the lowest positive monthly return.

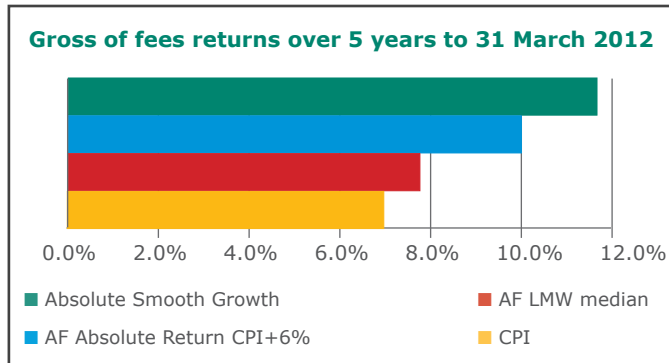
To complete the analysis, we will pit AGP against two popular choices when it comes to retirement savings vehicles, being absolute return funds and market-linked balanced funds. Absolute return funds employ a variety of different techniques that aim to provide stable, positive returns. These techniques vary from dynamic asset allocation to purchasing options to protect the portfolios against adverse markets. Instead of focussing on one of the wide variety of funds available in the market, the analysis will focus on the median fund of the Alexander Forbes Absolute Return Fund Survey for funds in the CPI+6% return target category.

There is also a wide variety of market-linked balanced funds in the market. This analysis will focus on the median fund of the Alexander Forbes Large Manager Watch Survey as a good benchmark for the investment type.

We will focus on the 5-year period between 1 April 2007 and 31 March 2012 only, and compare Absolute Smooth Growth (2007 series) to the average absolute return fund and balanced fund. Absolute Smooth Growth (ASG) provides a 50% capital guarantee and targets a return of CPI+6% p.a. over rolling 3-year periods.

## Analysing returns

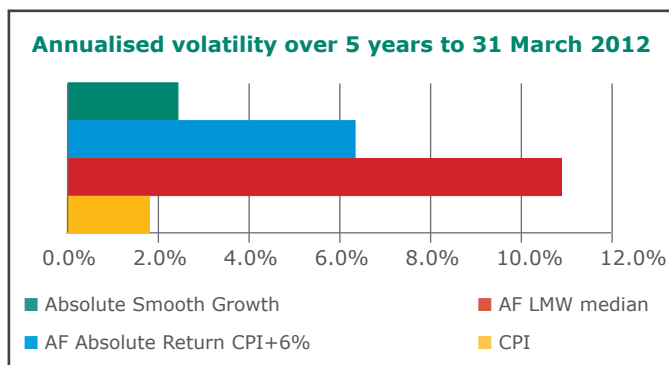
The graph below shows gross of fees returns for the various investment vehicles. Note that returns for Absolute Smooth Growth are net of capital charges and are therefore directly comparable with the absolute return and balanced fund returns.



ASG outperformed the average absolute return fund and the average balanced fund by 1.5% and 3.6% p.a. respectively, aided by positive starting reserve levels as clients migrated from the Guaranteed Fund and Genesis to AGP. This is an outstanding result for a product that is usually thought of as conservative. It should also be noted that at the end of the period, at 31 March 2012, the 2007 Series of the Absolute Growth Portfolios held healthy reserves of between 0% and 5%. Had these reserves not been held, and had they been declared away as bonuses, the 5-year returns shown would have been even more favourable.

## Volatility

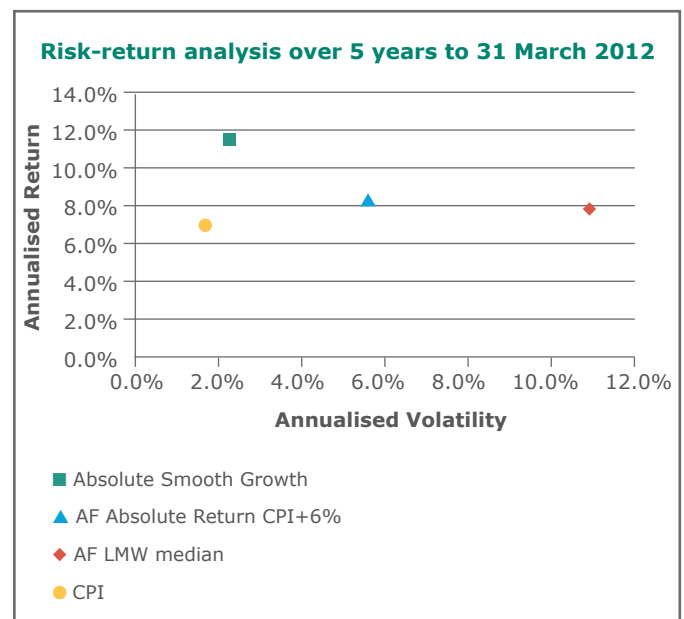
The variability of returns of each investment vehicle is depicted by the annualised volatility of its returns in the graph below.



The average balanced fund displayed much higher volatility compared to the other investment vehicles. ASG displayed the lowest variability in returns by far, followed by the average absolute return fund. ASG not only produced higher returns than the average balanced fund, but also managed to reduce the variability of returns offered by the average balanced fund by close to 80%. ASG delivered both growth and protection more effectively than these popular alternatives.

A sound way of combining the previous two measures and depicting returns on a risk-adjusted basis, is to plot annualised returns and annualised volatility for a specific time period on a graph.

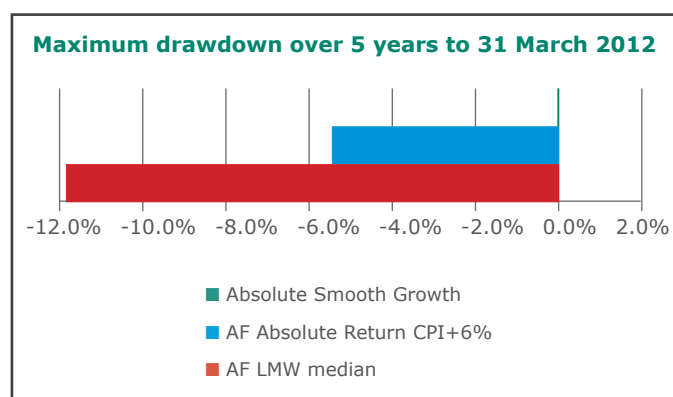
The graph below illustrates this risk-return relationship for the various investment vehicles over the same 5-year period. The top left-hand corner is where the perfect investment product would sit – as investments move right and down on the graph they are taking more risk to try to get growth, or giving up growth so as to protect investments. The bottom right would be the most inefficient option possible.



This graph confirms again that ASG did not only deliver the highest returns over the period considered, but its returns were also much less impacted by the high level of volatility that markets experienced during the 5 years. ASG has been far closer to the perfect investment over this period than the alternatives.

## Maximum drawdown

The graph below considers the maximum drawdown experienced by the different investment vehicles, and gives an indication of the maximum loss that each vehicle suffered during each period.



ASG did not deliver any negative monthly returns over the period considered, which includes one of the most severely detrimental periods for financial markets in recent history. Most absolute return funds aim to provide capital protection through the provision of positive (or absolute) returns. Many absolute return funds did not, however, manage to achieve this over the 5-year period shown. The typical balanced fund lost almost 12% during the months of September 2008 to November 2008. Clearly over this period ASG also provided the safest option for investors.

## Summary

This article briefly considered various investment vehicles, and analysed past history of returns generated, the variability of these returns, and the maximum loss incurred by each vehicle. A summary of these results are provided in the table below.

The table has been sorted according to the 5-year Return/Risk measure, which gives a good indication of where the various investment vehicles rank in terms of risk-adjusted returns, i.e. how close they are to that illusive perfect investment. Note that inflation (CPI) is also included in the table, even though the concept of risk does not apply to inflation. It is noteworthy that ASG is the only vehicle which achieved a higher risk/return figure compared to inflation.

Over the past five years since its inception in April 2007, Absolute Smooth Growth has been more successful at producing returns, as well as reducing the volatility of returns, than a typical balanced fund and a typical absolute return fund in the CPI+6% category. Over this period our belief held true that our smoothing mechanism is the most effective way to reduce volatility without giving up long-term growth.

In addition to the volatility protection provided by smoothing, AGP provides further protection through a choice of fixed capital guarantees which means that you can tailor your investment to fit your risk-return appetite perfectly.

We hope we have made our investors happy and proud. Here's wishing AGP another successful 5 years to come!

Return and Risk measures to 31 March 2012	5 Years			
	Return (p.a.)	Annualised Volatility	Return/Risk	Max drawdown
Absolute Smooth Growth	11.4%	2.4%	<b>4.7</b>	0.1%
CPI	7.0%	1.8%	<b>3.9</b>	NA
AF Absolute Return CPI+6%	10.0%	6.4%	<b>1.6</b>	-5.2%
AF LMW	7.8%	10.8%	<b>0.7</b>	-11.8%

- Return/Risk is just the return (p.a.) divided by annualised volatility. It can be thought of as the return earned for each rand of volatility "paid" – a higher number indicates a better value or more efficient investment.



Stanley Bisho

Actuarial Specialist,  
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# Alternative Assets: The path less taken

This article shares some investment knowledge about the alternative asset class. It takes a look at the key alternative assets, their main attributes, the benefits they provide to a balanced asset portfolio, and how Old Mutual uses them in its Smoothed Bonus Portfolios.

Alternative assets is a broad term that refers to any asset that does not fall under the three traditional asset classes, i.e. listed equities, bonds and cash. Investments such as unlisted equities (also known as private equities), commodities, direct property and hedge funds are common examples of assets that fall under this classification.

## Characteristics of alternative assets

Given the broad scope of the classification, alternative assets could describe a wide range of very different assets. What they have in common is that they are typically unlisted, non-standardised assets, with investment characteristics that are different to traditional assets.

Being different has some significant advantages. One of the most attractive characteristics of alternative assets is that they are usually uncorrelated with traditional asset classes. Owning an asset that doesn't go up and down at the same time as the stock market, for example, makes investing in listed equities much easier to stomach. It can provide a source of returns when equity markets are not doing well, so that returns on the total portfolio are more stable over time without needing to invest conservatively. Later in the article we will show how this has happened in our Smoothed Bonus Portfolios over the last decade.

These assets also pose some challenges to most investors that help to explain why more funds do not have large alternative asset holdings:

1. Alternative assets are usually unique, and not traded on an exchange. That makes them hard to buy and sell at short notice or before the investment "matures". That poses a risk to investors who are not sure that they can hold onto the investment until they are ready to sell, with the result that only investors with a long-term horizon feel comfortable with them. Retirement funds have horizons much longer than the average investor, and so are prime candidates for alternative assets.
2. Alternative assets are often very large, with a high minimum required investment. Many asset managers may want to invest in a number of alternative assets for the diversification benefit described earlier, but would be unable to do so without individual assets dominating their portfolio.
3. The way returns emerge over time may also be hard to stomach by managers with short-term constraints. For example, the returns from private equities will generally be low or negative in the early years of the investment as the company management fees and start-up costs are paid from the committed capital. Assuming the investment is

successful, the returns will more than make up for this initial period in later years. This is known as the j-curve effect.

## Why we like alternative assets

We have already discussed the diversification benefits that make our portfolios better able to cope with market downturns because of the uncorrelated returns generated by alternative assets. One may wonder, though, why we still invest in them given the challenges listed above.

We have good reasons to:

1. Because we can. The challenges listed above are relevant to funds without significant size and long-term horizons. We have both. We invest a huge amount of assets for retirement funds who are also better able to retain a long-term horizon because we smooth out return fluctuations from year to year.
2. The illiquidity, large investments required and long-term commitments all mean that investors expect a significant return premium on alternative assets above traditional ones. We are in the privileged position to be able to tap into this market that holds real value for the few who can.
3. Given the major changes we have experienced in investment markets and the global economy in recent years, the medium-term return expectations from traditional asset classes are muted. They are not expected to deliver returns achieved over the past couple of decades. This means that alternative assets will play a key role in ensuring that balanced portfolios are better positioned to reach their return objectives.

## Main types of alternative assets

### Property

Property investments fall into two categories, namely direct and indirect. Investments in direct property are made into real, tangible assets. Direct property is usually purchased with the intention of either generating returns from rental income and capital appreciation, or adding value by renovating the existing building or facilitating the process of developing real estate on the land. A good example would be a shopping mall

- a large, illiquid investment that very few investors could afford to own, but which could provide handsome returns.

Indirect property can be acquired by investing in property companies and property collective investment vehicles, e.g. real estate investment trusts (REIT), property unit trusts, property loan stocks and property exchange traded funds (ETF). They can be traded on exchanges and bought in small quantities, making them more accessible to the main stream than most alternative assets.

### Private Equity

Private equity is one of the more well-known alternative assets. They are equity securities that are not listed on a public stock exchange, hence they are not easily trade-able or valued.

Private equity investments are typically medium to long term in nature. The following would all be considered private equity:

- Leveraged buyouts: The asset manager or investor acquires a stake in a company by using a significant amount of borrowed (leveraged) assets.
- Distressed investments: Involves acquiring debt obligations or equity holdings of companies that are in financial distress, e.g. companies that are under bankruptcy or have defaulted.
- Venture capital: Investments made into companies that are at the early stages of development or are in the process of expansion.
- Mezzanine capital: Debt that gives the lender the right to convert to an ownership or interest in the company if the loan is not repaid.

### Hedge Funds

Hedge funds are investment funds that use advanced investment strategies and can invest in a wide variety of investment opportunities. They may take both long positions (i.e. profiting when an asset price rises) and short positions (i.e. profiting when an asset price falls). They may also apply various other non-traditional portfolio techniques not available to regular balanced funds.

Generally, the objective of a hedge fund is to reduce the variability of returns, preserve capital and deliver positive returns – under all market conditions.

The investment strategies of hedge funds can vary a great deal.

- Global macro hedge funds focus on macroeconomic opportunities in global equity and bonds, as well as other investment opportunities such as currencies and commodities. The aim is to generate returns through opportunities that arise from macroeconomic events, such as a shift in global interest rates or a change in economic policies.
- Relative value hedge funds seek to generate returns by exploiting pricing inefficiencies among individual securities, which are related but not necessarily from the same asset class, by simultaneously buying and selling the different assets.
- Event-driven hedge funds seek to generate returns via the opportunities presented by company or transaction specific events. These events include mergers, takeovers, liquidations, bankruptcy and various other events.
- Long/short equity hedge funds generate returns by taking long positions in undervalued stocks and short positions in overvalued stocks.

Hedge funds will not always have the same liquidity constraints as other alternative assets, but will still usually provide returns that are not highly correlated to traditional asset classes.

### Infrastructure Assets

There are a diverse range of assets that fall into the category of infrastructure assets, including but not limited to: roads, railways, airports, ports, power generation stations, sewerage lines, dams, bridges, and transmission of electricity. The form of the investment into infrastructure assets may be debt or equity. Each of these assets will generate unique return patterns that differ, to varying degrees, from the other infrastructure assets. Furthermore, the return characteristics will depend on where the asset is in its life cycle. Despite these differences, there are some common traits that thread these assets together:

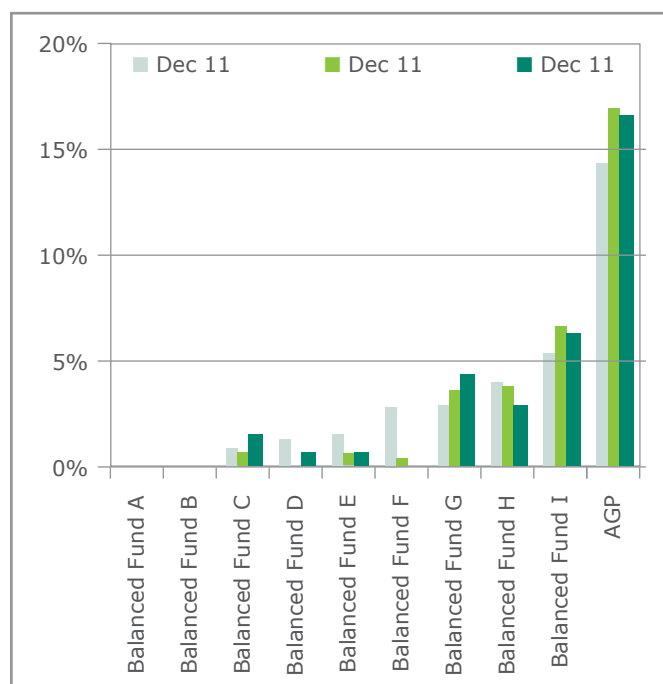
- Long duration – the lifespan is usually measured in decades, not years.
- Hedge against inflation.
- Monopolistic in nature, i.e. high barriers to entry.
- Inelastic demand, which gives pricing power.
- High degree of regulation.

## Alternative assets in our underlying investment portfolios

The following table provides a breakdown of the long-term strategic asset allocations to alternative assets for the portfolios underlying the Old Mutual Smoothed Bonus Portfolios (including the Absolute Growth Portfolios, CoreGrowth, Guaranteed Fund, Genesis and Multi-Managed Smoothed Bonus):

Property	Domestic alternative	Global alternative	Total
7.5%	5.0%	3.5%	<b>16.0%</b>

The following graph compares the long-term strategic allocation to local alternative assets in the underlying asset portfolios for the Old Mutual Smoothed Bonus Portfolios (we have used the allocation for the Absolute Growth Portfolios (AGP) as a proxy) to that of large global balanced funds that have contributed to the Alexander Forbes Effective Asset Allocation Survey for the past three years:



The graph shows that the underlying asset portfolios for the Old Mutual Smoothed Bonus Portfolios consistently have significantly larger exposure to alternative assets than all the balanced funds in the survey. This provides the Old Mutual Smoothed Bonus Portfolios with a competitive edge, given that they are able to gain sizeable access to the benefits provided by alternative assets.

The following sections provide an indication of the alternative asset holdings of the portfolios underlying the Old Mutual Smoothed Bonus Portfolios and how they have added value to the products over the last decade.

### Local Direct Property

The local direct property consists of two funds, namely the Triangle Real Estate Core Fund and the Direct Property Fund. Both these funds are managed by Old Mutual Property and invest purely in direct property with no exposure to listed property. The Triangle Real Estate Core Fund, which is the bigger of the two, invests in a diversified portfolio of developed properties that aims to provide consistent and sustainable yields. The fund has a bias towards regionally dominant retail properties (i.e. major shopping malls) as well as industrial and prime grade offices. The Direct Property Fund differs from the Triangle Real Estate Core Fund in that it is primarily involved in the development of properties. Its aim is therefore to provide a pipeline of properties for the portfolio of developed properties.

The following graph shows the 10-year history for the local direct property portfolio:



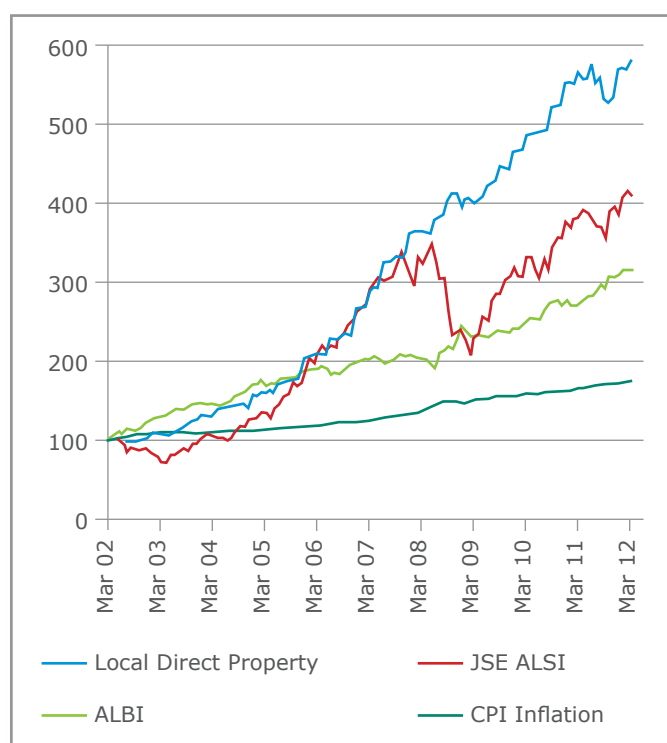
Even though the domestic property portfolio has underperformed the local listed equity market over the 10-year period, it has added value by delivering returns well in excess of inflation. Over the 10-year period to March 2012, it delivered returns that exceeded inflation by 7.1% per annum.

Furthermore, it provided returns that were much steadier than those delivered by the local listed equity market. It especially provided much-needed capital protection during the 2008/2009 market crash. When comparing the risk-adjusted returns, i.e. returns per unit of risk, Old Mutual's local direct property portfolio outperformed the local equity market.

### Local Alternative Portfolio

The domestic alternative portfolio primarily invests in private equity but also has investments in infrastructure assets (both locally and in the rest of Africa), hedge funds and mezzanine debt. The local alternative portfolios are managed by OMIGSA's Alternative Investments boutique, OMIGSA's Absolute Return Investments boutique and Futuregrowth.

The following graph shows the 10-year history for the local alternative asset portfolio:



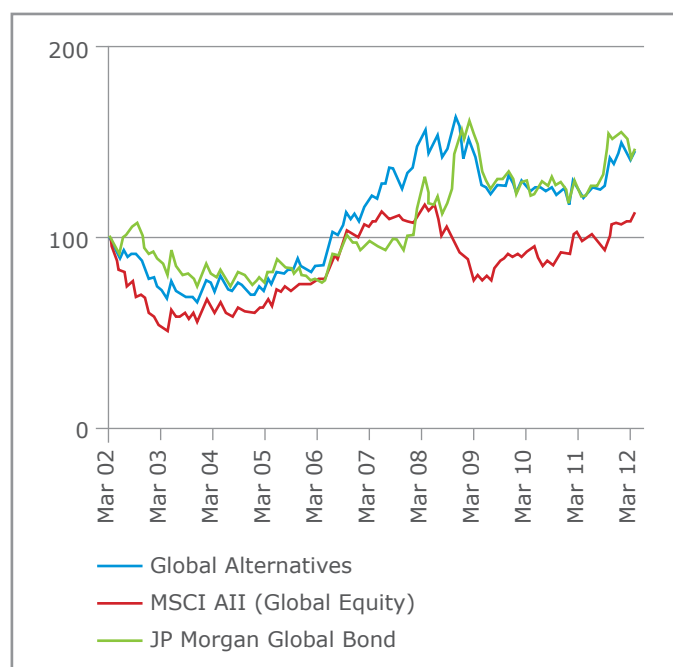
The local alternative asset portfolio delivered excellent performance during the 10-year period to March 2012. It not only outperformed the local equity market by a sizeable margin, but also managed to protect invested capital during periods of negative equity markets. Old Mutual's local alternative asset portfolio returned on average 19% per annum over the 10-year period, outperforming the local equity market by 4% per annum and beating headline inflation by 13% per annum.

These stellar returns were driven by a number of very successful private equity investments. During the past two years, Old Mutual Private Equity sold, among others, their stakes in Pepkor Holdings Ltd, The Life Healthcare Group (Pty) Ltd and Shanduka Group (Pty) Ltd.

### International Alternative Portfolio

The international alternative portfolio invests in funds of hedge funds, private equity, infrastructure and direct property. The portfolio is managed by OMIGSA's Absolute Return boutique, Alternative Investments boutique and Old Mutual Properties. Larch Lane, a specialist in global hedge funds, provides consulting services to the Absolute Return boutique.

The following graph shows the 10-year history for the international alternative asset portfolio:



The returns above are measured in rand terms, and as a result, much of the volatility and the correlation between the global alternative asset portfolio and global equities can be attributed to currency exchange movements during the period. A strengthening rand over the period contributed to the low level of absolute returns earned.

Global equities struggled during the 10-year period to 31 March 2012, as is evident from the fact that global bonds outperformed over the period. The global alternative asset portfolio managed to outperform global listed equities, while at the same time providing much-needed diversification

benefits – most notably during the period of severely negative equity markets towards the end of 2008 and the start of 2009.

## In conclusion

We are proud of our prescient decision many years ago to use our size and long-term investment horizon to invest meaningfully in alternative assets. These assets have proven to be a source of consistently strong real returns as well as valuable diversification during equity market slumps, and we expect them to continue to give us a compelling competitive edge in the retirement fund investment market in the future. This is one of the reasons that we believe our Smoothed Bonus Portfolios are so well positioned to provide strong, stable returns into the future.



Mark Gevers

Boutique Head,  
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# Successful private equity deals provide handsome rewards

This article speaks about the recent successful deals made by the Old Mutual Private Equity team. Policyholders in Old Mutual Smoothed Bonus Portfolios had approximately 8.0% private equity exposure to Shanduka and Savcio as at 31 December 2011 (date prior to the sale of these assets).

The Old Mutual Private Equity (OMPE) team recently concluded the sale of two very successful investments. In February 2012, we sold our shareholding in Savcio to ACTOM Holdings, while in December 2011 we sold our 10% stake in Shanduka for R730 million to the China Investment Corporation.

Shanduka was held in OMPE Fund II and marks the second asset to be sold in the fund. Savcio, on the other hand, was the last remaining asset in OMPE Fund I – a fund that invested R2 billion across a portfolio of private equity deals and will have returned more than R8 billion to its investors. Over a period of significant global economic turmoil, this fund has delivered an aggregated return of 40% a year since March 2004.

Private equity investing is not only about investing innovatively while actively growing value in the portfolio companies – it is also about successfully realising investments and returning capital and profits to investors and policyholders. The following two sections detail our involvement in Savcio and Shanduka and the successful sales that resulted in handsome returns for investors.

## Engineered for success

### Old Mutual Private Equity sells stake in Savcio

OMPE is pleased to announce the sale of Old Mutual Life

Assurance Company South Africa's (OMLACSA's) 14.95% equity stake in Savcio – Africa's leading provider of maintenance and repair services for rotating electrical equipment and transformers, which has been in operation for nearly 100 years. On 15 July 2011, the shareholders of Savcio concluded a "sale of shares" agreement (with ACTOM Holdings' acquisition) to sell Savcio's issued share capital for an undisclosed amount. The transaction was initially subject to a number of suspensive conditions, and was given full regulatory approval on 13 February 2012.

ACTOM, of which OMLACSA holds a 20% equity stake through its private equity funds, is the largest locally controlled manufacturer and distributor of electrical equipment in Southern Africa. In selecting a suitable buyer, the Savcio board took into consideration that ACTOM is a South African-owned, black-empowered company. It was also a logical fit for ACTOM, as the vertical integration strengthens the servicing side of their business offering to clients.

We are proud to have been part of the original consortium, led by Actis and Ethos Private Equity, to purchase Savcio in 2005. Over the life of the investment, shareholders in Savcio (including OMLACSA) have earned an attractive return and in excess of three times money back.

Other consortium members included BEE empowerment partners AKA Capital and Sphere Holdings, as well as the incumbent management team. The original transaction valued Savcio at approximately R1.3 billion and was one of the largest private equity deals concluded in 2005.

Including the funding of the BEE shareholders, OMPE was the largest funder of the transaction. Originally part of Delta Electrical, Savcio was an appealing business with a predictable revenue stream, robust cash flows and operating in a market with relatively high barriers to entry. Led by an experienced management team, all the shareholders actively participated on the board and, together, were instrumental in adding significant value to the company.

Existing corporate governance structures were strengthened and the OMPE team members Mark Gevers, Chumani Kula and Ismail Matthews initially served on the audit, remuneration and transformation committees of the board, while also forming part of the exit committee tasked to execute and conclude the sale of the business.

### **Realigning the business**

With an objective to increase revenue and cash flows by leveraging off their strengths, the Savcio board's primary initiative was to realign the business to focus on its core capabilities. This culminated in the sale of Savcio's replacement parts business in 2007 as well as management identifying new streams of revenue. In a drive to expand the company's footprint on the African continent, Savcio purchased an engineering firm on the Zambian copper belt. Finally, there was the expansion of the transformer division of Savcio's electrical equipment manufacturing and repairs business, LH Marthinusen, into a world-class repair facility. During 2010, Savcio diversified into the oil & gas sector through the acquisitions of Hydron Hydraulics and Electrowave.

### **Facilitating empowerment**

OMPE provided R126 million out of the R175 million required for BEE participation in the transaction. Besides it taking the company to a Level 4 Black Economic Empowerment (BBBEE) scorecard status, the funding structure used was unique in that it provided the BEE partners with full equity returns, as well as full voting participation from the very beginning. When a portion of the BEE funding expired in 2010, OMPE refinanced the majority thereof, ensuring that Savcio retained its Level 4 BBBEE status.

In another significant action, Ethos, Actis and OMPE worked closely with management to facilitate the refinancing of Savcio's buyout debt with a European High Yield Bond (EHYB). At the time, this was only the second such high yield bond to have been successfully implemented in South Africa. The EHYB resulted in the repayment to shareholders of some R250 million of capital within the first 12 months of the transaction being concluded. During 2009, shareholders and management again refinanced a portion of the EHYB with what was the first successful local (South African) high yield corporate bond.

After more than six successful years as an active shareholder in Savcio and having participated in a number of ground-breaking transactions with them, we are pleased to exit our holding at a time when the company is enjoying good growth – it is well positioned for its next growth stage as part of ACTOM.

Our many OMPE investors, including OMLACSA policyholders and third-party retail investors, have benefited from this success and we are pleased to have generated both a transformational impact and a substantial financial return. Savcio was the last remaining asset in Old Mutual Private Equity Fund I (OMPE Fund I), marking the full realisation of OMPE Fund I, which has grown investors' capital by about 40% a year since its inception in March 2004 – a multiple of total invested capital of four times – again demonstrating the strong performance potential of private equity.

## **Private equity capitalises on change**

In December 2011, OMPE sold its interest in the Shanduka Group to the China Investment Corporation (CIC) for R730 million. The disposal of this investment in Shanduka, initially made in February 2006, has produced an exceptional return for OMPE Fund II investors.

Shanduka is a privately held, majority black-owned investment holding company with diversified interests in resources, financial services, manufacturing and food and beverages, amongst others. The company was founded in 2001 by its current Executive Chairman, Cyril Ramaphosa. Cyril is a well-known and highly regarded figure in South Africa, who has been involved in many seminal events in the country's recent history. He founded Shanduka after exiting politics in the late 1990s.

In 2005, we identified an opportunity to invest into Shanduka Resources. At the time, Shanduka Resources was a 90% subsidiary of the Shanduka Group (management held the remaining 10%) and housed Shanduka's resources interests.

The investment thesis behind our decision to invest in Shanduka Resources was based on:

- An expected resources tailwind (especially in Shanduka Resources' two largest exposures, coal and iron ore) being driven by the industrialisation of various emerging markets, most notably China and India;
- Their highly skilled management team capable of successfully exploiting an attractive opportunity set;
- Partnering with Cyril Ramaphosa, an individual who has exceptional strategic and negotiating abilities, a sharp investment instinct and vast networks; and who has demonstrated a superb ability to create positive outcomes for varied stakeholders across many challenging circumstances.

### Resources holding flips up

In 2009, Shanduka made the strategic decision to "flip up" all minority shareholders at a subsidiary level to a Group level. At this juncture, we became a shareholder in the Shanduka Group, providing OMPE Fund II with an exposure to Shanduka's full range of investments. The other institutional shareholders in Shanduka were Standard Bank and Investec.

Shanduka means "change" in Venda and the company has, since its inception ten years ago, changed considerably – transforming itself from an entrepreneurial and opportunistic investment company into a substantial R8 billion NAV business, which is a well-respected and well-managed corporate citizen,

During our investment tenure, OMPE Portfolio Manager Jacci Myburgh served on the Shanduka board, investment committee and audit committee; while Paul Boynton (head of Alternative Investments at OMIGSA) served on the board and the remuneration committee. Given its nature as an investment holding company, Shanduka's prospects are fundamentally driven by the quality of its investment decisions. In this regard, we have been able to make a contribution to Shanduka's growth – given our inherent knowledge and experience in the investment field.

During our six-year investment tenure, there were some significant developments within the Shanduka Group. These included:

- Growing its net asset value by around 40% a year, driven largely by excellent investment decisions;
- Strategically moving into owning and controlling its investments (for example, McDonalds SA and Coca Cola Shanduka Beverages);
- Significantly decreasing its cost of capital as its balance sheet strengthened;
- "Corporatising" itself through best-of-breed governance structures and an established and a high calibre executive management team;
- Spending significant time and capital on driving various corporate social investment projects, including the Shanduka Adopt-a-School Foundation that has helped transform 130 schools across the country, and the Shanduka Black Umbrellas aimed at developing black entrepreneurs and businesses.

### A foothold in Africa

The China Investment Corporation (CIC) is one of the biggest sovereign wealth funds in the world with over US\$400 billion under management. When looking for a partner with the requisite influence and presence in Africa, their gaze quickly fixed on Shanduka. In a transaction that took almost a year to conclude, the CIC acquired a 25% interest in Shanduka in December 2011.

We sold our 10% shareholding as part of the CIC transaction. The sale of Shanduka marked the second disposal in Old Mutual Private Equity Fund II, after the sale of an interest in Life Healthcare in 2010/2011. With both investments producing very pleasing investment returns, it is encouraging to see OMPE Fund II building on the extremely good returns produced by OMPE Fund I.

The Shanduka investment was not a typical leveraged buyout or expansion play. It was quite simply an opportunity identified to invest into a business with a great opportunity set and tailwinds, with a highly talented management team and an exceptional driving force in its founder and largest shareholder, Cyril Ramaphosa. We are extremely proud of the outcome of the investment and we value the lasting partnerships and friendships we built over the course of our involvement with Shanduka.



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# Underlying performance and positioning

In this section we comment on international and domestic investment markets for the quarter, discuss underlying performance over the past three years, and provide reasoning for the current asset allocation positioning of the Old Mutual Smoothed Bonus Portfolios.

## Global markets

The global equity market started the year with a strong performance, which was helped by the momentum of the rally that was experienced in the previous quarter. Global equities delivered 11.7% for the first quarter of 2012, as measured by Morgan Stanley Composite Index (World) in US dollars.

There were various factors that contributed to the positive market sentiment during the first quarter of 2012. The first was the macroeconomic data released during the quarter, which generally provided positive indicators, especially the data relating to the US economy. The US economy has experienced continued improvements in its labour market, which is key for a sustained economic recovery. Furthermore, given the lack of inflationary pressures in the US, the Federal Reserve Bank can focus its policy on driving economic growth. Low interest rates, which may likely remain so for some time, coupled with positive economic indicators, sustained the equity rally during the quarter. Another contributing factor to the equity rally was the slight easing of fears amongst investors about the Eurozone debt crisis. Greece made some progress by successfully writing off a large sum of its privately held government debt and secured its second bailout package. Furthermore, the European Union maintained its expansionary stance and provided loans to the European banking sector, thus significantly reducing the risk of a credit crunch.

Despite the generally positive progress in most of the major economies, the Chinese economy did not experience a good quarter. The incoming data during the quarter pointed towards a continued slowdown in economic activity. Furthermore, the Chinese government has lowered its growth target for the year.

## Domestic markets

The JSE All Share Total Return Index (ALSI), which measures the performance of the local equity market, delivered 6.0% for the first quarter of 2012. The returns were primarily driven by the financial sector (12.8%) and industrial sector (10.5%) while the resources sector lagged significantly behind (-3.3%).

Locally, the macroeconomic prospects remain subdued for 2012, but have lifted marginally. The Old Mutual Investment Group of South Africa (OMIGSA) moderately increased its growth forecast for 2012 to 3.0%, from the previous forecast of 2.8%. On the positive side, macroeconomic data point to an acceleration in fixed investments, especially from the private sector.

Furthermore, Government has committed to focus spending on infrastructure, which will benefit investment over the medium to long term. On the negative side, macroeconomic data points to a decrease in consumer spending. Furthermore,

the growth prospects for the economy will not make a huge improvement to the unemployment pool in South Africa.

Year-on-year headline inflation decreased during the quarter, from 6.3% in January 2012 to 6.0% in March 2012. Core inflation, which excludes food, fuel and electricity, remained fairly constant during the quarter. The biggest upside risk to inflation in the short term is a sustained surge in oil prices. Interest rates did not change during the quarter, and are expected to remain unchanged for some time.

## Underlying asset performance of Smoothed Bonus Portfolios

The following provides an analysis of the returns delivered by the asset portfolios underlying the Old Mutual Smoothed Bonus products. The focus is primarily on the 3-year returns – the time horizon over which we measure the product return targets.

The underlying asset portfolios delivered firm nominal returns for the 3-year period to 31 March 2012. The gross nominal returns ranged from 12.6% per annum (Multi-Managed Smoothed Bonus underlying portfolio) to 15.6% per annum (Absolute Growth underlying portfolio). Differences in returns for the various underlying portfolios reflect the differences in their strategic (and resulting actual) asset allocations.

The underlying portfolios that have a greater exposure to local equities, which outperformed the other classes by a large margin, generated better overall nominal performance over the 3-year period to 31 March 2012. Compared to their respective composite benchmarks, the underlying portfolios underperformed by a margin of between 0.1% and 1.2% per annum. However, compared to inflation, which was 5.1% per annum over the period, the underlying portfolios performed strongly with gross real returns ranging from 7.5% to 10.5% per annum.

The following provides a more detailed account of the returns:

- The nominal performance of each domestic asset class was better than its respective global counterpart, when measured in rand terms over the 3-year period to 31 March 2012. The rand strengthened by about 20% over the period, which means that even though the global assets may have performed well in US dollar terms, the adverse

currency exchange movements dampened the 3-year returns in rand terms.

- An attribution of the 3-year underlying portfolio returns shows that tactical asset allocation contributed positively to performance relative to the composite benchmark. The Macro Strategy Investments boutique added between 0.4% and 0.6% asset allocation alpha per annum for the 3-year period to 31 March 2012. However, the effect of selection within the asset classes of the portfolio resulted in the overall performance of the underlying portfolios lagging their respective composite benchmarks.
- The comment above does not relate to the asset portfolio underlying the Multi-Managed Smoothed Bonus Portfolio, as no tactical asset allocation calls are made for this portfolio. The deviations from strategic allocations, and thus benchmark returns, are purely due to market movements.
- The domestic equity portfolio delivered the strongest nominal returns in the overall portfolio by a large margin. The general local equity market rebounded strongly after the market crash, and has delivered stellar returns over the 3-year period. The active managers, which constitute roughly 50% of the domestic equity portfolio, were able to capture most of the upside. Compared to its SWIX benchmark, which returned 22.6% per annum over the 3-year period to 31 March 2012, the domestic equity portfolio lagged by 0.6% per annum.
- The international interest-bearing portfolio delivered the weakest nominal returns over the 3-year period to 31 March 2012. As mentioned before, the adverse currency exchange movements over the period contributed to the underperformance relative to the local asset classes. Even though the global assets performed extremely well in 2011, the poor performance during 2008 and 2009 detracted from the 3-year performance figures.

## Three-year (annualised) underlying asset returns

The following table provides the gross underlying portfolio performance figures (annualised over **three** years to 31 March 2012) for each asset class underlying the Smoothed Bonus Portfolios. The benchmark performance for the total portfolio is also shown.

Asset class	Absolute Growth Portfolios	CoreGrowth Portfolios	Multi-Managed Smoothed Bonus Portfolios	Guaranteed Fund and Genesis*
Domestic equities	22.2%	22.1%	22.0%	22.1%
Domestic interest-bearing assets	10.1%	10.9%	10.7%	10.8%
Domestic alternative assets	13.3%	13.1%	12.7%	13.9%
Domestic property	3.5%	3.5%	3.6%	3.5%
International equities	12.1%	12.0%	12.4%	12.0%
International interest-bearing assets	-0.2%	0.5%	2.8%	-0.4%
International alternative assets	1.8%	1.8%	-1.0%	1.8%
<b>Total portfolio</b>	<b>15.6%</b>	<b>13.0%</b>	<b>12.6%</b>	<b>14.6%</b>
Total portfolio benchmark	16.0%	13.1%	13.8%	14.9%
Typical market-linked fund **	18.1%	12.4%	12.4%	18.1%

\* Performance for the Guaranteed Fund shown. Slight differences may occur between Genesis and Guaranteed Fund performance due to slightly different asset class exposure.

\*\* Source: Alexander Forbes Manager Watch for Large Global Managers and Conservative Global Managers (monthly median compounded).

## Underlying asset allocation of Smoothed Bonus Portfolios

The asset allocation decisions in the underlying portfolios are made by OMIGSA's Macro Strategy Investments (MSI boutique). Therefore, the allocation towards each asset class relative to its benchmark allocation can be ascribed primarily, but not exclusively, to the boutique's view about the prospects of that asset class. This applies to all the Old Mutual Smoothed Bonus Portfolios, with the exception of the Multi-Managed Smoothed Bonus Portfolio. Its underlying portfolio is managed by SYM|METRY and periodically rebalanced within minimum and maximum allocation levels.

In the previous quarter (i.e. to 31 December 2012), changes to the long-term strategic asset allocations were finalised. The maximum offshore allocation limit was increased from 20% to 25%, on a long-term strategic basis, towards global equities. The changes in the strategic asset allocation are expected to yield higher and more risk-efficient returns going forward.

Global equities remain the preferred asset class, especially those from emerging markets, based on the risk-adjusted returns the asset class is expected to deliver over the medium term. The MSI boutique is of the view that this asset class, over the next five years, will deliver real returns that are in excess of its long-term historic average. Global equities were sold down and underperformed in spite of good earnings; this

makes them attractive on a valuation basis. The positive sentiment towards global equities was reflected in the underlying portfolios via a positive tilt of about 2%; this is after the strategic allocation towards global equities was increased by 4.5% in the previous quarter.

Global bonds and cash remain the least attractive asset classes based on MSI's view of their expected real returns over the next five years. The monetary policy of central banks in major economies has been to maintain the interest rates at historically low levels. This exposes investors to the risk of negative real returns and capital erosion, Globally bonds are offering low yields after being artificially influenced by quantitative easing and safe-haven buying, Investors in this asset class are expected to lose money in real terms.

Locally, equities are preferred to cash and bonds based on the expected real returns over the next five years. MSI is of the view that local equities have become cheaper, making them an attractive investment. Stocks offering high dividend yields are expected to offer the highest returns. Local cash remains unattractive as the SA Reserve Bank has maintained interest rates at historically low levels, and is expected to continue doing so for some time, while inflation has remained at relatively high levels. Bonds offer better prospects than cash; they are expected to deliver returns mostly through yield but reduced risk aversion also offers some potential for capital gains.

## Underlying portfolio positioning of Smoothed Bonus Portfolios

The following table shows the actual asset allocation at 31 March 2012 compared to the long-term strategic asset allocation target:

Asset class	Absolute Growth Portfolios		CoreGrowth Portfolios		Multi-Managed Smoothed Bonus Portfolios		Guaranteed Fund and Genesis	
	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Domestic equities	50.0%	48.75%	30.8%	29.5%	30.0%	29.5%	41.8%	40.5%
Domestic interest-bearing assets (including FSC)	11.9%	15.25%	30.9%	34.5%	34.8%	34.5%	19.8%	23.5%
Domestic alternative assets	4.5%	5.0%	4.5%	5.0%	5.6%	5.0%	4.5%	5.0%
Domestic property	9.6%	7.5%	9.6%	7.5%	5.0%	7.5%	9.6%	7.5%
International equities	18.0%	16.0%	15.3%	13.25%	14.5%	13.25%	17.5%	15.5%
International interest-bearing assets	2.6%	4.0%	5.5%	6.75%	7.2%	6.75%	3.4%	4.5%
International alternative assets	3.4%	3.5%	3.4%	3.5%	2.9%	3.5%	3.4%	3.5%

# Performance to March 2012

	Jan 2012	Feb 2012	Mar 2012	Performance over periods to 31 March 2012 (Annualised except*)				Risk Analysis (Based on 3-year Performance)		Max Drawdown (Based over a 3-year period to March 2012) <sup>1</sup>	Fund size	
				Quarter*	1 Year	3 Years	5 Years	10 Years	Annualised Volatility	Return/Risk	Performance	(R million)
<b>Growth-focused Portfolios</b>												
Absolute Smooth Growth 2007 Series	0.88%	0.89%	0.90%	2.7%	11.3%	7.6%	11.4%	N/A	1.2%	6.33	0.1%	R 5 409
Absolute Smooth Growth 2009 Series <sup>2</sup>	0.88%	1.39%	1.40%	3.7%	13.2%	10.5%	N/A	N/A	1.2%	8.75	0.1%	R 3 092
Absolute Stable Growth 2007 Series	0.84%	0.85%	0.86%	2.6%	10.8%	7.1%	11.0%	N/A	1.2%	5.92	0.1%	R 13 437
Absolute Stable Growth 2009 Series <sup>2</sup>	0.84%	1.35%	1.36%	3.6%	12.7%	10.0%	N/A	N/A	1.2%	8.33	0.1%	R 22 134
Guaranteed Fund <sup>3</sup>	0.41%	0.41%	0.41%	1.2%	6.5%	5.9%	8.9%	11.7%	0.5%	11.8	0.2%	R 16 403
Genesis	0.60%	0.70%	0.80%	2.1%	7.2%	6.4%	9.1%	11.5%	0.7%	9.14	0.0%	R 1 515
<b>Protection-focused Portfolios</b>												
Absolute Secure Growth 2007 Series	0.69%	0.70%	0.71%	2.1%	8.1%	4.7%	8.9%	N/A	1.0%	4.70	0.1%	R 416
Absolute Secure Growth 2009 Series <sup>2</sup>	0.69%	1.20%	1.21%	3.1%	10.7%	8.2%	N/A	N/A	1.1%	7.45	0.1%	R 324
CoreGrowth 100	0.60%	0.70%	0.80%	2.1%	7.7%	7.1%	9.3%	10.7%	0.5%	14.20	0.2%	R 4 329
CoreGrowth 95	0.64%	0.74%	0.84%	2.2%	8.2%	7.6%	9.9%	N/A	0.5%	15.20	0.2%	-
CoreGrowth 90	0.68%	0.78%	0.88%	2.4%	8.7%	8.1%	10.4%	N/A	0.5%	16.20	0.3%	R 1 632
Multi-Managed Smoothed Bonus 100	0.60%	0.70%	0.80%	2.1%	9.5%	8.1%	10.1%	N/A	0.4%	20.25	0.4%	R 5
Multi-Managed Smoothed Bonus 95	0.64%	0.74%	0.84%	2.2%	10.0%	8.6%	10.7%	N/A	0.4%	21.50	0.4%	-
Multi-Managed Smoothed Bonus 90	0.68%	0.78%	0.88%	2.4%	10.5%	9.2%	11.2%	N/A	0.4%	23.00	0.5%	R 972
<b>Other Indices and Comparative Performance</b>												
Local Equities (JSE ALSI)	5.7%	1.7%	-1.4%	6.0%	7.5%	21.3%	7.2%	15.2%	15.1%	1.41	-8.5%	
Local Bonds (BEASSA ALBI)	2.1%	0.2%	0.1%	2.4%	16.0%	11.1%	9.4%	12.2%	5.6%	1.98	N/A	
Local Cash (STeFI)	0.5%	0.4%	0.5%	1.4%	5.7%	6.8%	8.4%	8.8%	0.3%	22.67	N/A	
Rand/Dollar	-3.5%	-4.1%	2.5%	-5.1%	13.4%	-7.2%	1.0%	-3.9%	16.7%	-0.43	N/A	
Consumer Price Index (CPI)	0.6%	0.6%	1.1%	2.3%	6.0%	5.1%	7.0%	5.8%	1.1%	N/A	N/A	
Typical Balanced Fund (Large Global) <sup>4</sup>	Not comparable over the short-term											
Typical Balanced Fund (Conservative Global) <sup>4</sup>	Not comparable over the short-term											

Performance figures are net of capital charges and gross of investment management fees for all products except Guaranteed Fund. The Guaranteed Fund's performance is net of capital charges and asset management charges, gross of investment administration fees.

#### Notes

- <sup>1</sup> The Max drawdown figures depicts the lowest monthly bonus the products have declared, over a 3-year period.
- <sup>2</sup> As at 1 April 2009 a new series for Absolute Growth Portfolios was made available. Performance prior to August 2009 based on Transition Series.
- <sup>3</sup> Includes Guaranteed Fund interim bonus of 5% p.a. since 1 July 2011.
- <sup>4</sup> Source: Alexander Forbes Manager Watch Survey (median compounded).

# Bonus Smoothing Reserves

## Formulaic Smoothed Bonus Products: Quarterly Disclosure

## Discretionary Smoothed Bonus Products: Annual Disclosure

	Jun 2011	Sept 2011	Dec 2011	Mar 2011
<b>Absolute Growth Portfolios 2007 Series</b>				
Greater than 25%				
20% to 25%				
15% to 20%				
10% to 15%				
5% to 10%				
0% to 5%				
-5% to 0%				
-10% to -5%				
-15% to -10%				
Less than -15%				
<b>Absolute Growth Portfolios 2009 Series</b>				
Greater than 25%				
20% to 25%				
15% to 20%				
10% to 15%				
5% to 10%				
0% to 5%				
-5% to 0%				
-10% to -5%				
-15% to -10%				
Less than -15%				

	CoreGrowth	Multi-Managed Smoothed Bonus	Guaranteed Fund	Genesis
<b>Discretionary Portfolios at 30 June 2011</b>				
Greater than 25%				
20% to 25%				
15% to 20%				
10% to 15%				
5% to 10%				
0% to 5%				
-5% to 0%				
-10% to -5%				
-15% to -10%				
Less than -15%				

# Key features

	Growth			Management style and manager	Protection		Costs		Inception Date
	Performance objective	Strategic allocation to growth assets <sup>1</sup> in underlying portfolio			Protection objective	Guarantee in extreme environments	Guarantee charge (per annum)	Investment management fee (per annum)	
Absolute Growth Portfolios	<b>Smooth</b>	Targets CPI+6% over rolling 3-year periods (after guarantee charge)			50% of fund credit on claim	0.20%	0.50% - 0.65% (depending on fund size) plus/minus 15% of out- or under-performance above/below respective performance target, subject to a maximum fee of 0.30% and a maximum rebate of 0.15%	April 2007 (new series launched in April 2009)	
	<b>Stable</b>	Targets CPI+5.5% over rolling 3-year periods (after guarantee charge)	80%	Positive bonuses each month	80% of fund credit on claim	0.70%			
	<b>Secure</b>	Targets CPI+3.5% over rolling 3-year periods (after guarantee charge)			100% of fund credit on claim	2.70%			
<b>Guaranteed Fund</b>	Return on a broadly balanced market-linked fund over the long-term, less the guarantee charge		OMIGSA Boutiques including SYmmETRY Multi-Manager Boutique (non-OMIGSA Managers)	Positive bonuses each year	100% of capital invested and a portion of bonuses declared	0.75%	0.25% - 0.35% (asset management charge depending on asset allocation) plus 0.20% - 0.35% (investment administration fee depending on fund size)	July 1967	
<b>Genesis</b>	Return on a broadly balanced market-linked fund over the long term, less the guarantee charge				100% of capital invested and a portion of bonuses declared	1.00%	0.23% - 0.50% (depending on fund size)	July 1999	
CoreGrowth Portfolios	<b>100</b>	Return on a conservative to moderate market-linked fund over the long term, less the guarantee charge			100% of fund credit on claim	1.80%		March 1998	
	<b>95</b>		58%		95% of fund credit on claim	1.30%	0.23% - 0.50% (depending on fund size)	January 2003	
	<b>90</b>			Positive bonuses each month	90% of fund credit on claim	0.80%		January 2003	
Multi-managed Smoothed Bonus Portfolios	<b>100</b>	Return on a conservative to moderate market-linked fund over the long term, less the guarantee charge			100% of fund credit on claim	1.80%		April 2003	
	<b>95</b>		58%		95% of fund credit on claim	1.30%	0.47% - 0.75% (depending on fund size)		
	<b>90</b>			Positive bonuses each month	90% of fund credit on claim	0.80%			

## Notes

<sup>1</sup> Includes equities, properties and alternative assets (including private equity)

# 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, Broker, or call your nearest Old Mutual Corporate office:

- Johannesburg: 011 217 1000
- Pretoria: 012 360 0000
- Western Cape: 021 530 9600
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- [www.oldmutual.co.za/corporate](http://www.oldmutual.co.za/corporate)

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