



SPREAD YOUR RISK AND REAP THE REWARDS

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As markets recover, investors are scared of being left behind and are asking the question: Is now the time to re-enter the markets? We don't know the answer but, from a real return perspective, equity and property look attractive for investors with a long-term focus. A safer way to access a market recovery is via asset allocation funds which offer diversified risk. For those investors seeking higher real returns, a fund to consider is the Old Mutual Flexible Fund (if you want a life fund equivalent, try the Optimised Aggressive Fund).

The fund invests in high-growth assets and takes a long-term view of the markets. It can have a 100% equity exposure, and has the full range of asset classes at its disposal, including property and bonds, as well as those that fall between the cracks, such as preference shares and convertible bonds. Its mandate also includes up to 20% offshore exposure.

What is the fund trying to achieve?

Peter: Well, it has a high performance target (CPI +8%), which means that it is trying to deliver very high real returns over the long term. It is the only one of our funds that can invest in over 75% equity and is therefore not suitable for pension fund investors. This fund is ideal for investors with a long investment horizon (say, five years and longer - see the graph below) who want to achieve high growth, but also want to benefit from the reduced risk provided by the diversification of an asset allocation portfolio.

How does it try to achieve these returns?

Peter: Through a combination of active asset allocation and concentrated selection. The fund leverages off the best investment view of the Macro Strategy Investments (MSI) team, in terms of the top-down allocation, while it has access to the full research capabilities of OMIGSA to support stock picking within the asset classes. Then, it takes concentrated positions and will actively trade those positions, as appropriate.

So who should invest in the Old Mutual Flexible Fund?

Peter: It is not a fund for the faint-hearted investor that scrutinises short-term market movements - you need a fairly high appetite for risk, but not as high as a pure equity investor's.

How does the fund compete against its peers?

Peter: The category includes a wide range of conservative to aggressive funds. This means that, over the short term, it is not sensible to compare peers. However, in the long run we expect the fund to be a top-quartile fund in its category. Over the five years ending April 2009, the Flexible Fund ranked in the top quartile, coming fourth in its category out of 17 funds. (Source: Mornigstar)

How can a fund with such a high growth target be less volatile than a pure equity fund?

Peter: As the fund can be moved between asset classes, it gets the one "free lunch" in investing: Reduced volatility through diversification.

Furthermore, active asset allocation should result in a fund selling assets when they are expensive. For example, prior to the market crash in June 2008, we increased our cash holding to 25% and switched 10% of equity into less volatile property.

How is the fund currently positioned?

Peter: The fund is well positioned for a recovery in global growth and equity markets with a composition of around 15% in international equities, 62% in local shares, 10% in property and 13% in local cash. The current environment suits it well - as is evidenced by its outperformance in March and April.

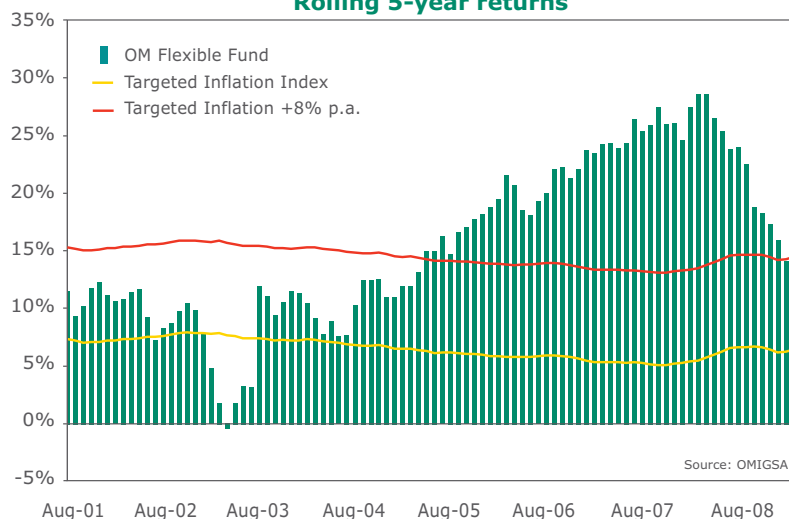
So how can a retail investor access the Old Mutual Flexible Fund?

Peter: If an investor has a suitable risk profile and wants to learn more about the Old Mutual Flexible Fund, they should visit www.omigsa.com/msi, contact their broker or an Old Mutual financial adviser, or phone 0860 234 234.

Key take-aways:

- High growth potential
- Reduced risk
- Suitable for a long-term investor
- Well positioned for a market recovery
- International exposure
- Top-quartile performer over five years

Old Mutual Flexible Fund vs Inflation & Inflation + 8% p.a. - Rolling 5-year returns



Market commentary

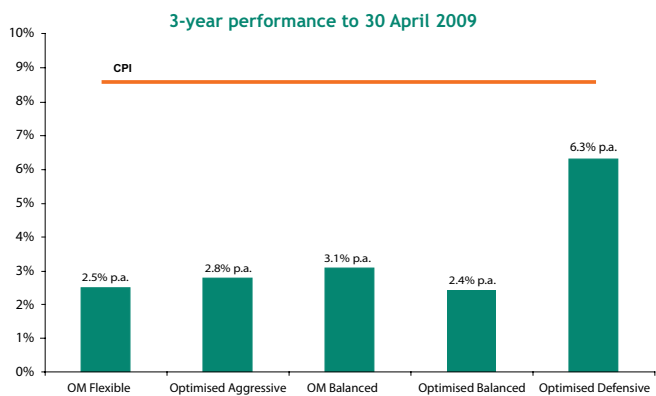
It is pleasing to report that the second quarter has begun on a positive note and global equity markets continued the recovery that began in March. The MSCI All Countries World Index returned 11.5% for the quarter, its highest monthly return since 1987. Emerging markets also posted a strong recovery, gaining 16.7% for the month. The sectors hardest hit in the crisis were in the frontline of the recovery, with global banks gaining 22.3% in April.

The rand was the best-performing currency within emerging markets, gaining 13% against the dollar in April. High interest rate differentials, a narrower current account deficit, higher commodity prices, and improving risk appetite have buoyed the rand to pre-crisis levels. On the local front, elections proceeded smoothly with no real surprises, inflation moderated in March, growth forecasts were reviewed lower, and the South African Reserve Bank (SARB) once again cut interest rates by 100 basis points (bps) in April.

Fund performance commentary

Old Mutual Flexible Fund and Optimised Aggressive Fund

The funds enjoyed an exceptional month as they clawed back some of their recent negative returns. The main driver of this was strong outperformance from the equity portfolio, which materially outperformed the FTSE/JSE All Share Index (ALSI). Some of the recent purchases were notable, with gains of more than 50%. This shows the importance of buying assets when the seller is panicking. We do not expect plain sailing from here, but at least there has been a steady improvement in the macroeconomic data.



* The Old Mutual Stable Growth and Old Mutual Real Income Funds do not have 3-year track records yet.
Sources: Morningstar and OMIGSA

Old Mutual Balanced Fund and Optimised Balanced Fund

Following on the strong performance in March, the funds continued to participate in the market recovery in April. We remain comfortable with their positioning, and have been positioned for a recovery since the latter part of 2008. Last year we stated that the rand was very oversold, and are therefore not surprised that it has recovered. However, at current levels, we see little reason to remain bullish on the currency and have traded this in the portfolios.

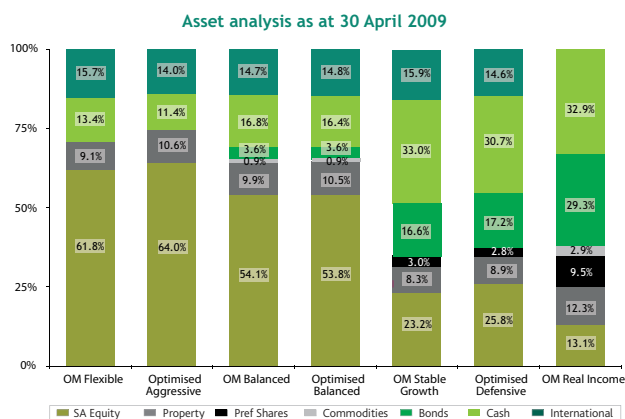
We have looked to increase their rand hedge element by increasing exposure to offshore assets, as well as adding Newgold in April. We are also monitoring local bond yields, which have moved higher in recent weeks, and are looking more attractive on an absolute yield basis, as well as relative to forward cash yields.

Old Mutual Stable Growth Fund and Optimised Defensive Fund

The funds enjoyed a solid April as they benefited from their recent investments in equities. As we highlighted previously, the funds have been investing some of their cash balances ahead of the reduction in interest rates. The South African Reserve Bank (SARB) cut of 100 basis points (bps) has flowed through into money markets, and cash deposits are now only yielding 8% - 4.5% down from the levels of not even six months ago.

Old Mutual Real Income Fund

The fund enjoyed another good month as its growth assets delivered a better return than cash. The biggest boost came from the holding in listed property which delivered a 4.1% return. Some of the shares delivered remarkable returns, with an investment in Old Mutual shares giving a return of 20% in the month. In the year to March, the fund's shares outperformed the All Share market by 13%, but still delivered a negative return. Looking forward, we believe the flexibility to buy good companies for their dividend yields will be a major competitive advantage in the income space.



Sources: Morningstar and OMIGSA

| Performance to 30 April 2009 | 1 year | 3 years (p.a.) | 5 years (p.a.) | Description | TER* |
|-------------------------------|-------------|----------------|----------------|--|-------|
| Old Mutual Flexible Fund | -18.0% | 2.5% | 16.1% | CPI +8% p.a. over rolling 3 years Flexible Category | 1.08% |
| Optimised Aggressive | -17.3% | 2.8% | 15.2% | | |
| Target | 17.1% | 16.6% | 14.6% | | |
| Unit Trust Peer Average | -15.5% | 2.7% | 14.7% | | |
| Old Mutual Balanced Fund | -15.8% | 3.1% | 15.0% | CPI +6% p.a. over rolling 3 years Prudential Medium Equity Category Launched June 2007 | 1.02% |
| Optimised Balanced | -15.5% | 2.4% | 14.0% | | |
| Target | 15.1% | 14.6% | 12.6% | | |
| Unit Trust Peer Average | -12.4% | 3.7% | 14.3% | | |
| Old Mutual Stable Growth Fund | -0.6% | #N/A | #N/A | CPI +4% p.a. over rolling 3 years Prudential Low Equity Category | 1.17% |
| Optimised Defensive | -1.1% | 6.3% | 12.3% | | |
| Target | 13.1% | 12.6% | 10.6% | | |
| Unit Trust Peer Average | -0.7% | 5.7% | 11.2% | | |
| Old Mutual Real Income Fund | 8.7% | 7.3% | #N/A | CPI +3% p.a. over rolling 3 years | 1.39% |
| Benchmark | 12.1% | 11.6% | 9.6% | | |
| CPI | 9.1% | 8.6% | 6.6% | | |

For more information, visit www.omigsa.com/msi

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