

# Boutique

## market strategies

Market Dynamics  
May 2011



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# Absolute Return Investments

## Market Highlights

- ▲ Domestic equity markets declined in May 2011, with the FTSE/JSE Top 40 Index down 1.0%. The industrial sector performed well, with a positive return of 0.7%, while the financial sector delivered 0.4%. However, the resources sector dragged the market into negative territory with a return of -2.8%.
- ▲ As a result of the market weakness, the SA Volatility Index (an indicator of uncertainty and risk aversion) increased by 0.9% to end the month at 21.3%. Realised volatility is still relatively low when compared to historical averages, with the average daily market movement during the month just over 0.9%.

## Old Mutual Capital Builder... the safe way to build wealth

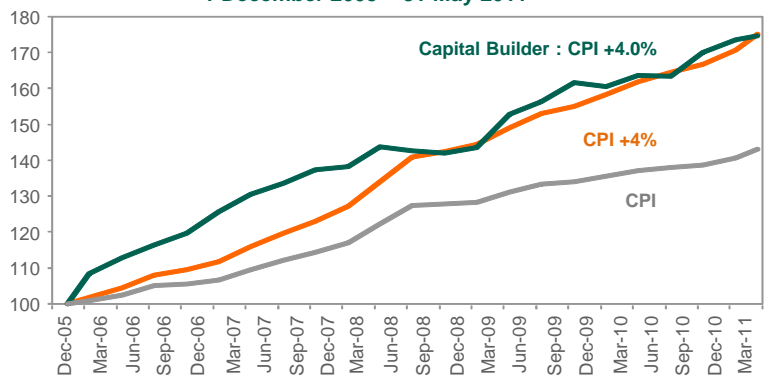
- ▲ Despite equity markets declining during May 2011, Capital Builder protected capital with a slightly positive return of 0.1%.
- ▲ With realised volatility still low, the opportunities for the capture of alpha through trading were limited.
- ▲ Capital Builder aims to achieve a CPI +4% return objective by protecting capital when equities fall and participating in equity rallies.
- ▲ Capital Builder has an optional guarantee for the most conservative investors.

*"Capital protection is the cornerstone of our investment philosophy."*

**Tom Connell** | Boutique Head



Capital Builder Fund since inception  
1 December 2005 – 31 May 2011



Source: OMIGSA

## Historical Returns

	2005	2006	2007	2008	2009	2010	2011
Jan		5.1%	1.8%	-0.3%	0.2%	-2.0%	-0.3%
Feb		-0.6%	1.7%	2.8%	-1.0%	1.0%	1.0%
<b>Q1</b>		<b>8.5%</b>	<b>4.9%</b>	<b>0.7%</b>	<b>1.0%</b>	<b>-0.7%</b>	<b>2.2%</b>
Mar		3.6%	2.9%	1.6%	1.8%	2.1%	-0.1%
Apr		1.2%	0.4%	2.7%	1.3%	0.0%	0.5%
May		-0.7%	0.7%	-0.4%	3.4%	-0.2%	0.1%
<b>Q2</b>		<b>4.1%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>6.6%</b>	<b>1.9%</b>	<b>0.6%</b>
Jun		2.0%	0.5%	0.0%	-0.7%	-1.3%	
Jul		-1.0%	0.8%	-2.7%	1.7%	1.5%	
Aug		2.0%	0.9%	1.9%	1.3%	-0.3%	
<b>Q3</b>		<b>3.0%</b>	<b>2.2%</b>	<b>-0.8%</b>	<b>2.2%</b>	<b>-0.1%</b>	
Sep		1.5%	1.7%	-2.1%	0.0%	2.0%	
Oct		1.9%	2.2%	0.7%	1.9%	1.1%	
Nov		-0.5%	-1.0%	1.0%	1.6%	1.0%	
<b>Q4</b>		<b>2.9%</b>	<b>2.8%</b>	<b>-0.4%</b>	<b>3.5%</b>	<b>4.1%</b>	
Dec	3.8%	1.3%	-1.8%	1.9%	0.3%	1.4%	
<b>Annual return</b>		<b>16.8%</b>	<b>11.2%</b>	<b>7.2%</b>	<b>12.2%</b>	<b>6.3%</b>	
<b>Return in excess of CPI</b>		<b>11.0%</b>	<b>2.2%</b>	<b>-2.3%</b>	<b>5.8%</b>	<b>2.8%</b>	

Source: OMIGSA. Institutional returns only

# Dibanisa Fund Managers

## Achieve market-linked returns at low costs

- + While many investors know that asset allocation is far more valuable to an investment portfolio than manager selection, investors still spend a surprising amount of time and money on selecting the “best” fund managers to invest their money across each asset class.
- + At Dibanisa Fund Managers, our sole focus is constructing low tracking-error\* portfolios that deliver returns in line with the underlying benchmarks, while keeping costs to a minimum.
- + Our full-replication SWIX and Top 40 Tracker Funds have delivered since-inception tracking errors of less than 0.15% a year, before scrip lending and management fees. (Note: The required industry norm is less than 0.50% p.a.)
- + A non-benchmark cognisant equity manager will typically have a tracking error (i.e. active risk) of between 5% and 15% relative to the market. This additional risk comes with intentions of outperforming the market (i.e. adding alpha).
- + However, tracker funds can also add alpha to a portfolio. For example, the Old Mutual RAFI 40 Tracker Fund that we manage has a tracking error of 6% relative to the FTSE/JSE Top 40 Index and has, on average, outperformed the Top 40 Index by 4.7% over rolling three-year periods since its inception in November 2007.

## New balanced tracker fund offers global exposure

- + We are in the process of launching the Dibanisa Balanced Tracker Fund, that will give investors access to a combination of local and global asset classes through a low-cost passive solution.
- + This fund will provide access to our exciting Dibanisa All Country World Index Fund, which aims to replicate the performance of the MSCI All Country World Index.

\* A tracking error (TE) is a statistical measure that shows how a fund’s share weightings differ relative to the benchmark’s weightings – the higher the TE, the bigger the divergence from the benchmark.

*“Dibanisa Fund Managers assist investors in achieving their investment objectives at low cost”*

**Craig Chambers | MD**



## Fund performance and tracking errors (to 31 May 2011)

Dibanisa Top 40 Tracker Fund				
Composite	1 year	3 years	5 years	Inception July 2002
Dibanisa Top 40 ALSI Composite	24.09%	1.75%	11.99%	15.41%
FTSE/JSE Top 40 Index	24.23%	1.88%	12.24%	15.67%
Tracking Error	0.08%	0.11%	0.12%	0.15%

Dibanisa SWIX Tracker Fund				
Composite	1 year	2 years	3 years	Inception Jan 2007
Dibanisa SWIX Composite	22.07%	22.69%	5.61%	9.21%
FTSE/JSE SWIX Index	22.16%	22.96%	5.68%	9.34%
Tracking Error	0.08%	0.11%	0.13%	0.15%

Dibanisa RAFI 40 Tracker Fund				
Composite	1 year	2 years	3 years	Inception Nov 2007
Dibanisa RAFI 40 Composite	22.93%	24.18%	7.95%	6.43%
FTSE/JSE RAFI 40 Index	23.12%	24.57%	8.32%	6.70%
Tracking Error	0.07%	0.15%	0.33%	0.32%

Dibanisa All Bond Tracker Fund				
Composite	1 year	3 years	5 years	Inception Dec 2002
Dibanisa ALBI Composite	11.42%	12.64%	7.86%	10.03%
BESA All Bond Index (ALBI)	11.44%	12.71%	8.03%	10.13%
Tracking Error	0.02%	0.14%	0.17%	0.14%

Sources: OMIGSA and I-NET  
 Dibanisa performance excludes scrip lending revenue. Differentials can be expected due to brokerage costs, custodial costs, MST & slight “cash-drag” from cash flow management.



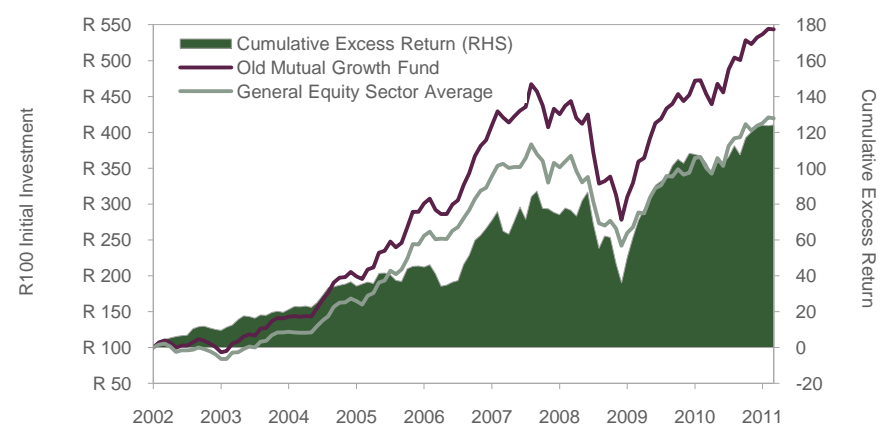
## MARKET HIGHLIGHTS

- Both the FTSE/JSE All Share Index (ALSI) and the FTSE/JSE Shareholder Weighted All Share Index (SWIX) lost 0.8% during the month of May 2011.
- Resources lost 2.8% and industrials gained 0.7%, while financials were flat. Large caps lost 1.0%, mid-caps gained 0.4%, and small caps lost 0.2%.

## PERFORMANCE PROFILE

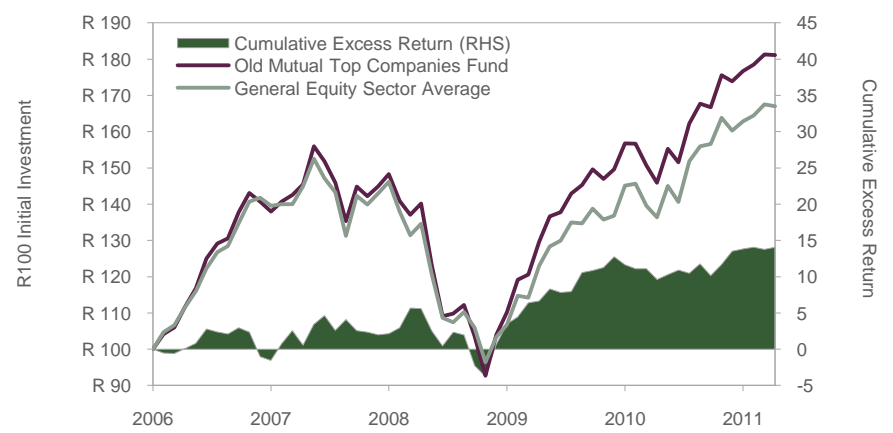
- As shown in the end-May charts alongside, the funds have strongly outperformed their Domestic-Equity-General unit trust peer-group average over the medium and long term.
- Within resources, we continue to have a bias towards the large, diversified and high-quality mining companies, as they are typically low-cost producers with diversified income streams across various commodities and geographies. We also hold selected single-commodity shares in businesses that we believe have a competitive position within their respective industries.
- In the South African industrial sector, we have reduced exposure to a few of the domestic consumer industrials as they have now reached full value. With the proceeds, we have slightly increased exposure to selected, high-quality and better value rand-hedge industrial shares.
- Within financials, we retain our preference towards the banking sector, which is more fairly valued having rebounded strongly from their cheap valuations, in line with their net asset values, in early 2009.
- The funds have rolling price:earnings (p:e) ratios below the market, while they are expected to have above-average earnings growth.

## OLD MUTUAL GROWTH FUND (TO END OF MAY 2011) \*



\* Since managed by Richard Hasson  
Sources: OMIGSA and Morningstar

## OLD MUTUAL TOP COMPANIES FUND (TO END OF MAY 2011) \*



\* Since managed by Richard Hasson & Neil Brown  
Sources: OMIGSA and Morningstar

**“We always strive to buy into high quality businesses at prices that are low compared to their long-term investment value.”**



Richard Hasson & Neil Brown | Boutique Heads

# Futuregrowth Asset Management

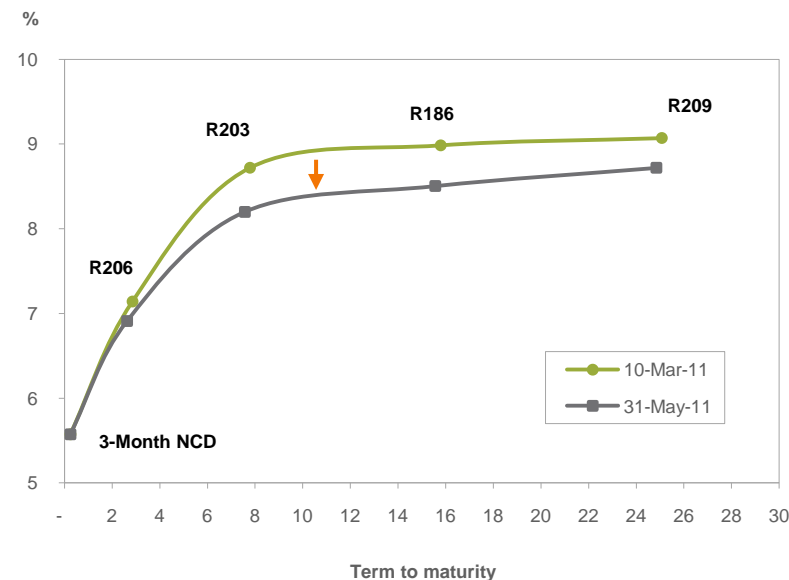
## Market Highlights

- Lower bond yields in advanced market economies, a sharp decline in crude oil prices, better-than-expected local inflation data, the decision by the South African Reserve Bank (SARB) to keep the repo rate at a multi-decade low and large net purchases of local bonds by non-residents (R13.8bn) were the main supporting factors during May 2011. As a result, local bond yields continued to drift lower. In the process, the yield of the RSA 10-year government bond declined by 15 basis points, to close at 8.33%. The real yield of inflation-linked bonds also decreased during the month, as the demand for protection against possibly higher inflation outstripped supply. As a result, the Inflation-linked Bond Index rendered a strong return of 1.9%, followed by 1.5% from the All Bond Index (for fixed-rate bonds). Both handsomely outperformed cash, which delivered 0.4%.
- Recent market events did not change our core investment view and, therefore, our broadly defensive investment strategy. Markets do not move in a straight line and the recent pull-back in bond yields was anticipated. Although inflation has behaved relatively well until now, partly due to the lagged effect of the rand's strength, the medium-term outlook remains a concern from an interest rate point of view. It therefore follows that the central bank will be required to start the policy-tightening cycle later this year – as a repo rate at its lowest level since 1974 is unsustainable against this background.
- A sizeable holding of cash, variable-rate bonds and inflation-linked bonds are preferred over fixed-rate bonds. The current steepness of the yield-curve slope and the expectation of monetary policy tightening in the month ahead, favour a reduction of short- and medium-dated bonds.

## Investment Strategy

- Our money market funds are underweight duration and overweight in short- and medium-dated assets – in anticipation of continued bearish yield-curve steepening.
- Given the point in the interest rate cycle, we still have a strong preference for variable-rate bonds, as opposed to fixed-rate bonds.

## The South African yield curve has flattened by 50 basis points since the peak in market rates early March



Sources: JSE, Futuregrowth

- In our bond mandates, we maintained underweight tilts to modified duration, using short-term strength to reduce short- and medium-dated fixed-rate bonds, in anticipation of monetary policy tightening by year-end.
- Corporate debt spreads have tightened to the point where we conduct a very selective purchase strategy.
- Although inflation-linked bond yields are still relatively low, the more bearish medium-term inflation outlook is more supportive.

*“The recent bull rally offers an opportunity to reduce exposure to fixed rate bonds.”*



Wikus Furstenberg | Portfolio Manager

# Macro Strategy Investments

## Monthly market comments

- ▲ Europe was in the headlines once again: Portugal received a bailout package, while Greek debt was downgraded, with some form of default already being priced in.
- ▲ Local gross domestic product (GDP) data came in above expectations, boosted by manufacturing.
- ▲ Globally, inflation concerns and rising commodity prices were centre stage in recent months, and several central banks have either acted or warned on those concerns. However, recent economic data and the decline in some commodity prices have once again thrown open the race between inflationary forces – on the back of loose policy, and deflationary forces – on the back of the unwinding of this loose policy.
- ▲ As a result, bonds were the winners in May as the equity market gave back a little, with the MSCI World Index declining 2% for the month in US dollar terms.
- ▲ Over the month, the All Bond Index (ALBI) gained 1.4%, inflation-linked bonds gained 2%, and listed property was flat.

## Yield on 10-year Greek government bond



Source: I-Net

*“Asset allocation is simply much easier than adding alpha to a fund, since there is more to sink your teeth into. Counter-intuitively, asset classes are more inefficiently priced than stocks.”*  
 Jeremy Grantham, CIO and co-founder: GMO



**Peter Brooke** | Boutique Head

## Boutique performance relative to performance target to end May 2011

AGGRESSIVE		1 Year	3 Years	5 Years
Profile Funds	Profile Pinnacle	18.3%	7.6%	11.4%
	Performance Target: CPI + 7%	11.3%	12.6%	13.8%
Life Wrapped	Optimised Aggressive	10.7%	5.5%	9.0%
	Performance Target: CPI + 8%	12.3%	13.6%	14.8%
Unit Trusts	Old Mutual Flexible Fund	17.4%	6.4%	11.0%
	Performance Target: CPI + 8%	12.3%	13.6%	14.8%

MODERATE		1 Year	3 Years	5 Years
Profile Funds	Profile Balanced	17.0%	3.4%	8.5%
	Performance Target: CPI + 5%	9.3%	10.6%	11.8%
Life Wrapped	Optimised Balanced	9.9%	5.2%	8.2%
	Performance Target: CPI + 6%	10.3%	11.6%	12.8%
Unit Trusts	Old Mutual Balanced Fund	16.6%	5.7%	9.7%
	Performance Target: CPI + 6%	10.3%	11.6%	12.8%

CONSERVATIVE		1 Year	3 Years	5 Years
Profile Funds	Profile Stable Growth	14.5%	8.2%	9.8%
	Performance Target: CPI + 4%	8.3%	9.6%	10.8%
Life Wrapped	Optimised Defensive	8.1%	7.4%	8.5%
	Performance Target: CPI + 4%	8.3%	9.6%	10.8%
Unit Trusts	Old Mutual Stable Growth Fund	10.9%	7.6%	–
	Performance Target: CPI + 4%	8.3%	9.6%	10.8%

VERY CONSERVATIVE		1 Year	3 Years	5 Years
Profile Funds	Profile Capital	11.7%	9.5%	9.6%
	Performance Target: CPI + 3%	7.3%	8.6%	9.8%
Unit Trusts	Old Mutual Real Income Fund	11.4%	11.4%	9.4%
	Performance Target: CPI + 3%	7.3%	8.6%	9.8%

Below performance target      On or above performance target

Note: A performance target is not necessarily the same as a benchmark. It is the average level of performance that the fund manager aims to achieve over the long term.

Note: These fund returns are shown net of management fees (does not include initial charge for unit trusts), except for Profile funds, which are gross of fees.

Source: OMIGSA

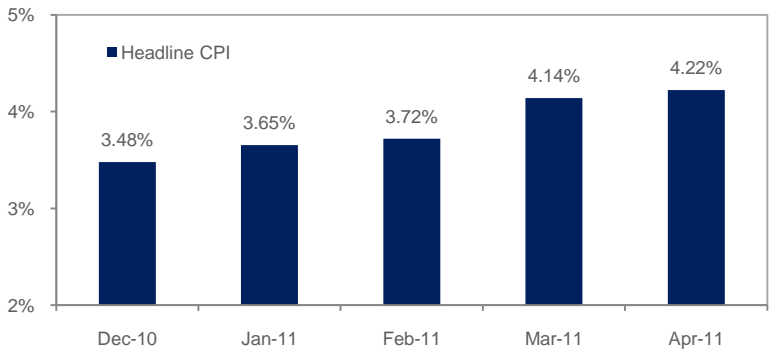
## Market Highlights May 2011

- Inflation:** Consumer inflation continued its upward trend, increasing from 4.1% year-on-year (y/y) in March to 4.2% y/y in April. The relatively stable rand continues to keep inflation at reasonably low levels. With limited prospects for further currency appreciation to mask the impact of rising food and energy prices, along with a number of other structural inefficiencies within the SA economy, we anticipate that inflation will continue to rise throughout 2011.
- Currency:** The rand was volatile during the month of May, ending modestly weaker to the US dollar at R6.80/US\$. The purchasing power parity of the rand relative to the US dollar is estimated to be in the region of R8.70, suggesting that the rand is currently 25% over-valued.
- Local Markets:** Volatility on the FTSE/JSE All Share Index (ALSI) continued throughout the month of May, with no clear performance trend emerging. We maintain our view that South African equities are expensive – as reflected in low dividend yields without the prospects of above-average dividend growth.
- Offshore Markets:** The global economy is showing slower growth, which generally manifests itself in less growth in corporate dividends and hence less capital growth. Seeking out reliable dividend streams and high dividend yields will therefore be the better way of ensuring reasonable returns. With dividend yields of some of the biggest companies in the world well above bond yields, equity valuations in these markets are presenting investors with a significant opportunity to generate inflation-beating returns over the next five years.

## Inflation and Currency

- Since the beginning of the year, we have been of the opinion that continued appreciation of the rand is highly improbable and that the buffer against the inflationary impact of excessive wage increases, hefty electricity tariff hikes and rapidly rising food and energy prices will be lost. As 2011 unfolds, this appears to be materialising. The chart below highlights the steady increase in consumer inflation since the end of 2010.

Inflation has been steadily increasing since the end of 2010



Source: I-Net

A major feature of the past few years has been the strength of the rand. We remain of the opinion that current economic pressures will not support continued rand strength.

- There has been a significant reduction in foreign inflows into South African capital markets during the first four months of 2011 (R11bn) when compared to the same period in 2010 (R42.6bn).

*“Solutions for retirement - reducing financial anxiety.”*



Simon Pearse | MD

# Property

## Market Highlights

- ▲ South Africa's first-quarter GDP numbers surprised on the upside, recording above-consensus growth of 4.8% on the previous quarter. The manufacturing and finance sectors constituted two-thirds of the aggregate growth figure (2.2% and 1.0%, respectively).
- ▲ While real output from the finance and real estate services sector is currently at historic highs, manufacturing-sector output is only now equal to levels seen in mid-2007. A similar story is told in employment growth, with the finance and real estate services sector adding 26 000 jobs in the last year and the manufacturing sector shedding a total of 19 000 jobs.
- ▲ Signs of resilience within the office-users sector are encouraging, but we remain concerned about the amount of available space in this sector. All indications are that development activity will remain subdued, but we will need sustained growth in property demand before we have fully utilised the supply hangover of the last cycle.
- ▲ As always, property remains a location play and while we don't foresee real reversion growth returning in the short term, we expect certain nodes to buck the trend.

## Performance Profile

### SA Corporate Real Estate Fund (Listed Real Estate)

- ▲ Through its continued turnaround strategy, the fund delivered a notable total return of 8.9% for the year ending April 2011, outperforming the FTSE/JSE SA Listed Property Index (SAPY)'s 1.5% and achieving a top-quartile ranking in the listed sector.
- ▲ The fund management team continues to drive special management action as well as focus on the fund's leasing, arrears and collections in order to improve underlying property performance.
- ▲ Portfolio fundamentals are sound, with the industrial component showing low vacancies and solid returns. Asset quality management strategies are in place to mitigate the risks implicit in the retail offering.
- ▲ The Musgrave and Davenport Square Shopping Centres' capital investment projects continue to progress as scheduled. The refurbishment of the Hayfields Mall started in May 2011 and is scheduled to be completed in December - once again reinforcing management's commitment to improving the portfolio.

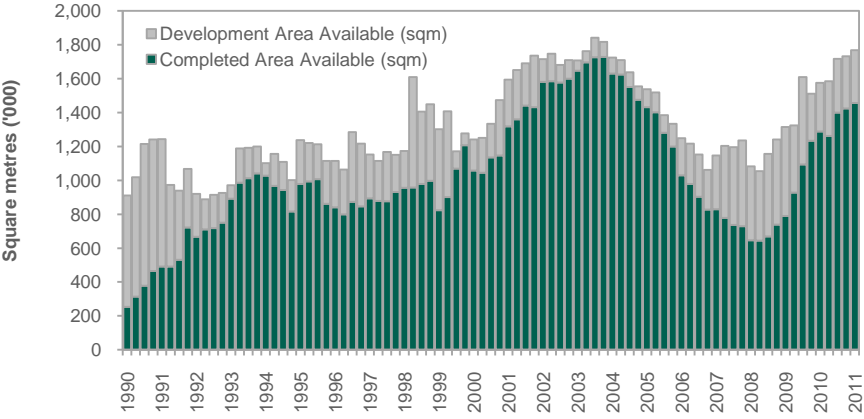
*"... it is in these times that leaders emerge, new ideas are generated, and the great companies of the future are created."*

**Ben Kodisang | Boutique Head**



## Office Sector working through the oversupply...

**Office Property - Lettable Area Available**  
Completed Buildings vs. Developments



Sources: Old Mutual Property Research, SAPOA

### Triangle Funds (Direct Real Estate)

- ▲ The new R200 million Gateway Hotel opened for trade on 1 June 2011. The hotel is South Africa's first "green hotel".
- ▲ Retail sales growth has been positive since January 2010. Growth for 2011 has largely been driven by the more cyclical categories. The household goods & furniture category and the hardware, paint & glass category contributed a combined 9.6% to the 5.1% year-on-year total growth rate.
- ▲ The average market rental growth-rate expectation is 5.47%, which is marginally up on the previous six months. The growth rate for property expenditure continues to increase slightly and now averages 8.34%, as a result of higher electricity tariffs and rates and taxes.
- ▲ The fund continues to focus on cost-control measures and industry benchmarking across all properties, in order for us to deliver the desired returns.



# Toros Equity

## Market Highlights

- The FTSE/JSE All Share Index (ALSI) declined by 0.8% (-4.3% in US dollar terms) on a total return basis in May.
- Mid-caps (+0.4%) outperformed small caps (-0.2%). Large caps were down 1%.
- Emerging markets underperformed the MSCI World Index. The MSCI World Index declined 2% in US dollar terms, while the MSCI Emerging Markets Index declined 2.6%.
- Over a 10-year period, industrials (+18.5%) outperformed resources (+16.5%) and financials (+12.5%). These all comfortably outperformed inflation (ECPI) of 5.7% p.a.
- Locally, economic data continued to show signs that the economy is on the road to recovery, albeit at a slower pace than expected.

## Portfolio Overview

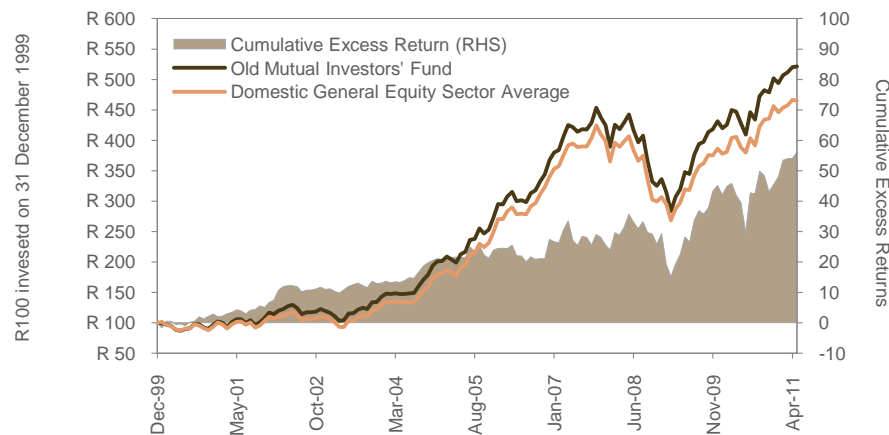
- The portfolio positioning has remained largely unchanged since last month, although we have adopted a rather more cautious stance in the short term by increasing the level of cash in the portfolio.
- Diversified miners will continue to be supported by high commodity prices, which we expect will remain in demand in a global economy supported by easy monetary policy. We expect weakness in the rand caused by a deterioration in the current account which, coupled with reasonable commodity prices, will be a favourable environment for the resources shares.
- Fund performance has been supported in the short term by strong performance from the defensive British American Tobacco (BAT) and SABMiller, while our large holdings in MTN and Naspers have also contributed positively. Defensive healthcare shares, Bidvest and Remgro are among our favoured selections.

*"While nervousness may affect markets in the short term, I expect conditions to remain supportive of equities over the medium term."*

**Peter Linley** | Boutique Head

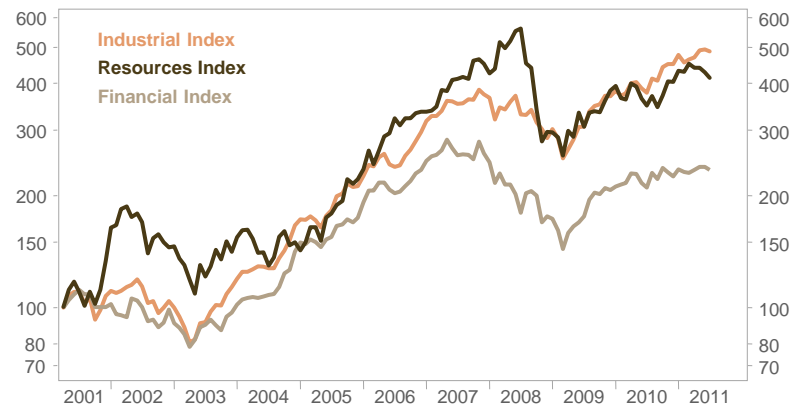


Old Mutual Investors' Fund performance to 31 May 2011



Sources: Morningstar & OMIGSA

## Last 10 years: Industrials versus Resources and Financials



Source: I-Net



# Value Equity Investments

## Sell in May and go away?

- During May, the equity market posted its second-worst monthly performance for 2011, with a total return of -0.8%. This was in line with international markets, which were mostly weaker. The Old Mutual High Yield Opportunity Fund benefited from holdings of stronger-performing shares including Datacentrix, Vodacom and British American Tobacco (BAT), while Sasol detracted from performance.

## The quest for yield

- Globally, interest rates are near record lows (close to zero in the US) and are expected to remain low for the foreseeable future. Global investors continue to be forced to seek yield in high dividend-paying emerging market equities.
- This is very positive for the Old Mutual High Yield Opportunity Fund, which has always aimed at delivering a yield in excess of the market coupled with capital growth.
- The fund is currently boasting a historic dividend yield of 4.1% compared to the FTSE/JSE All Share Index (ALSI) at 2.6%. The fund is also at an 8% discount to the (ALSI), measured on a price:earnings basis.
- With a nice blend of cyclically underperforming shares and some high-quality defensive shares, this portfolio is built to deliver on its yield target and grow capital.
- Our top pick in the fund is MTN. It is a leader in the emerging markets' telecommunications industry, operating in some 21 countries in Africa and the Middle East where it typically enjoys huge market shares, and trades at a discount to its calculated intrinsic value.
- We have an underweight position in the rand hedge sector (SABMiller, Richemont, Naspers) because we believe that these shares are too expensive. Instead, we are holding BAT and Tencor.

## OM High Yield Opportunity Portfolio Attributes as at 6 June 2011

	ALSI	OM HYO Fund (not actual - based on underlying holdings)	Discount
6 June 2011			
P/Earnings	14.8	13.5	8%
Div. Yield	2.6	4.1	61%
P/Book	2.9	3.3	-10%
Upside to Analyst FV	6%	9%	3%

**R100 invested at launch in November 1998  
has already paid out R187,  
is now yielding R24.30 per annum (tax free)  
and is today worth more than R582.**

*Valuation metrics are not actual, but a roll-up of the underlying fund holdings  
Source: OMIGSA*

*"Our philosophy and process  
are paying dividends."*

**Feroz Basa** | Joint Boutique Head



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Value Equity  
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# Regulatory Information

## Old Mutual Investment Group

Old Mutual Investment Group (South Africa) (Pty) Limited  
Physical address: Mutualpark, Jan Smuts Drive, Pinelands 7405  
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The investment products are market-linked. Products are either policy based or unithed in collective investment schemes. Investors' rights and obligations are set out in the relevant contracts. Market fluctuations and changes in rates of exchange or taxation may have an effect on the value, price or income of investments. Since the performance of financial markets fluctuates, an investor may not get back the full amount invested. Past performance is not necessarily a guide to future investment performance. Personal trading by staff is restricted to ensure that there is no conflict of interest. All directors and those staff who are likely to have access to price sensitive and unpublished information in relation to the Old Mutual Group are further restricted in their dealings in Old Mutual shares.

All employees of Old Mutual Investment Group (South Africa) (Pty) Limited are remunerated with salaries and standard short-term and long-term incentives. No commission or incentives are paid by Old Mutual Investment Group (South Africa) (Pty) Limited to any persons. All inter-group transactions are done on an arm's length basis. In respect of pooled, life wrapped products, the underlying assets are owned by Old Mutual Life Assurance Company (South Africa) Limited, who may elect to exercise any votes on these underlying assets independently of Old Mutual Investment Group (South Africa) (Pty) Limited.

In respect of these products, no fees or charges will be deducted if the policy is terminated within the first 30 days. Returns on these products depend on the performance of the underlying assets. Old Mutual Investment Group (South Africa) (Pty) Limited has comprehensive crime and professional indemnity insurance, as part of the Old Mutual Group cover. For more detail, as well as for information on how to contact us and on how to access information, please visit [www.omigsa.com](http://www.omigsa.com).

Unit trusts are generally medium to long term investments. Past performance is no indication of future growth. Shorter term fluctuations can occur as your investment moves in line with the markets. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Unit trusts can engage in borrowing and scrip lending. The fund's TER reflects the percentage of the average Net Asset Value of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. A schedule of fees, charges and maximum commissions is available from the company. You may sell your investment at the ruling price of the day (calculated at 15h00 on a forward pricing basis (and 17h00 at month-end for Old Mutual Umbono RAFI® 40 Tracker Fund and Old Mutual Umbono Top 40 Fund). Certain funds may be capped to be managed in accordance with their mandates. Different classes of units apply to these portfolios and are subject to different fees and charges. Old Mutual Unit Trusts is a member of the Association of Savings and Investments, SA. The portfolio performance is calculated on a NAV-NAV basis and does not take any initial fees into account. Income is reinvested on the ex-dividend date. Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income. Past performance is not necessarily an indication of future performance.

A schedule of fees and charges and maximum commissions is available from the management company/intermediary. Source for unit trust fund returns: Morningstar (unless otherwise stated) for periods ended 31 May 2011.