

# Boutique

## market strategies

Market Dynamics  
November 2011



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# Absolute Return Investments

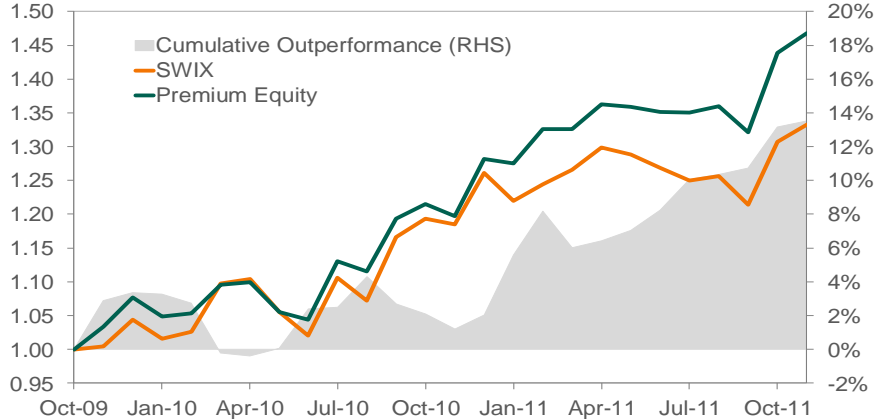
## Market Highlights

- ▲ November 2011 was another turbulent month for markets. Following October's strong rally, concerns around the details of the European rescue package and escalating Italian bond yields saw the FTSE/JSE All Share Index (ALSI) drop 4.3%, before staging a remarkable recovery (primarily on the back of coordinated central bank action to cut the cost of US dollar funding) to end the month up 1.6%. All major sectors contributed to equity performance, led by resources with 2.1% gain.
- ▲ The SA Volatility Index (an indicator of uncertainty and risk aversion) dropped slightly from 26.0% to end the month at 25.8%. Actual market volatility (measured by 20-day realised volatility) picked up from 20.1% in the previous month to 27.3% in November.

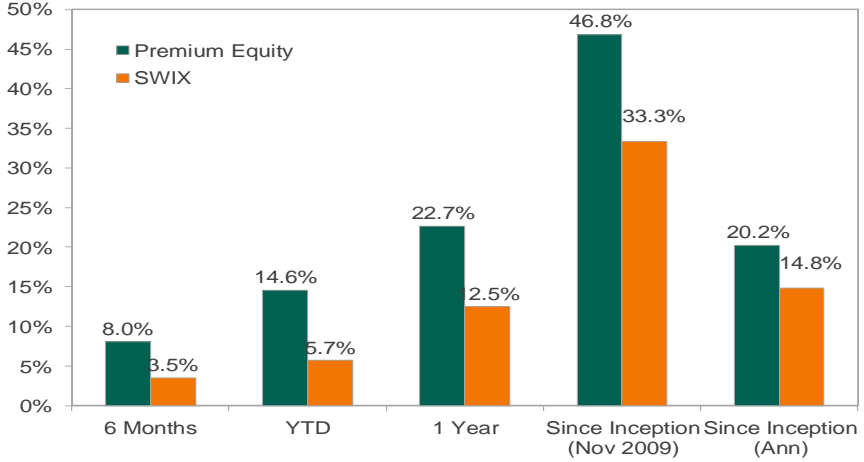
## Premium Equity Fund

- ▲ The Premium Equity Fund is an actively-managed institutional equity fund that targets 2% to 3% outperformance of its benchmark, the FTSE/JSE Shareholder Weighted All Share Index (SWIX), over the long term.
- ▲ Our focus on risk will also tend to result in our returns being less volatile than the benchmark.
- ▲ The Premium Equity Fund was up 2% for the month in line with the benchmark.
- ▲ Since inception, the fund has outperformed the SWIX by 5.4% per annum.

Premium Equity Fund since inception  
1 November 2009 – 30 November 2011



Historical returns



Source: OMIGSA. Institutional returns only

*"Our Premium Equity Fund has outperformed the market, with less volatility, since inception."*

**Bryn Hatty** | Portfolio Manager

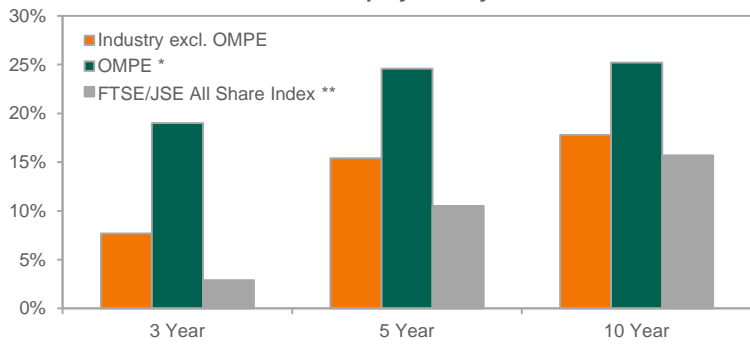


# Alternative Investments

## Private Equity

- 2011 may be categorised as the year in which Old Mutual Private Equity (OMPE) actively realised a large part of its mature private equity exposures. These include Pepkor, the post IPO balance of our Life Healthcare holding and Savcio (which has a small condition still to be fulfilled before realisation). These sales have resulted in OMPE unlocking a massive amount of value for our retail and institutional investors invested in Old Mutual Private Equity Fund I. As a result, the fund has returned over four times capital invested.
- The OMPE team is actively involved in assessing a number of new transactions for Old Mutual Private Equity Fund III and, in the last quarter, announced our second investment – a R220m investment into Libstar, a food services platform business.
- Set out below is the latest Riscura survey on private equity returns.

SA Private Equity Survey June 2011



\* Private Equity returns are net of management and performance fees  
 \*\* Listed indices used in these computations are total return indices before fees.

Source: OMIGSA, SAVCA Riscura

## Infrastructure

- The African Infrastructure Investment Fund II announced its final close at the end of September 2011, with commitments of US\$500m – a remarkable achievement in what are trying fundraising times. The fund will target infrastructure investments on the African continent.

*“The Schools Fund committed to its first investment to acquire and build 11 schools across the country, which will provide quality education to 19 200 learners “*



Lara Steyn | Schools Fund

- In South Africa, the Renewable Energy Independent Power Producer programme’s first round of bids were submitted on 4 November 2011. OMIGSA participated in a significant number of bids and the bid adjudication outcomes are anticipated imminently.
- The Beitbridge Border Post upgrade project has hit a snag, and it is uncertain whether we will achieve financial close on this project – if this project does not go ahead it will indeed be disappointing as it would have a hugely-positive impact on the Southern African infrastructure network and economy.
- We have completed the acquisition of a further stake in N3TC, the holder of the concession for the N3 toll road.

## Development Impact Funds

- Four new projects with a value of R1.4bn were approved by the Housing Impact Fund for South Africa (HIFSA) during the quarter ending 30 September 2011.
- With all the legal work completed, the Schools and Education Impact Investments Fund (SEIIFSA or ‘Schools Fund’) is now up and running, and has approved its first deal of R440m. Further transactions are expected to go before the fund’s Investment Committee in early 2012.
- In September and October 2011, the Development Impact Fund’s (DIF) executive team undertook an investor roadshow to gauge the level of interest from international investors in the Impact Fund for African Housing. The fund was well received, with a number of investors indicating an interest in investing in the fund. The DIF team hopes to raise an initial R2bn for investments outside of South Africa, to close the fund by the end of 2013 and be ready to invest by mid-2014.

## Performance Profile

	Annualised Returns since inception to June 2011	Inception Date
IDEAS Fund	15.8% (1)	January 1999
Private Equity Fund I	39.9% (2)	March 2004
Private Equity Fund II	5.6% (2)	October 2005
OM Multi-Manager Private Equity Fund 1	31.0% (3)	May 2006
OM Multi-Manager Private Equity Fund 2	-1.7% (3)	October 2007
OM Private Equity Secondary Fund	7.9% (3)	October 2009

Source: OMIGSA

- (1) Time-weighted return – annualised
- (2) Internal rate of return – annualised
- (3) Return on investment – annualised, and net of fees

# Dibanisa Fund Managers

## Balanced Tracker Fund

- + Dibanisa Fund Managers offers investors a Regulation 28-compliant balanced tracker fund that aims to provide returns from each asset class (as seen in the table on the right) during these volatile times. The Dibanisa Balanced Tracker Fund aims to achieve a long-term real return target of 5% (CPI + 5%) annually.
- + The Dibanisa Balanced Tracker Fund is available through the Old Mutual SuperFund (Evergreen) umbrella retirement solution, as well as directly through Dibanisa in a pooled vehicle at 0.36% excl VAT.
- + For larger pension funds, Dibanisa can structure customised balanced tracker funds, incorporating other asset classes through our newly launched Inflation-linked Bonds, SA Listed Property, S&P Africa ex SA, and FTSE RAFI All World funds.

### Underlying building blocks of the Dibanisa Balanced Tracker Fund

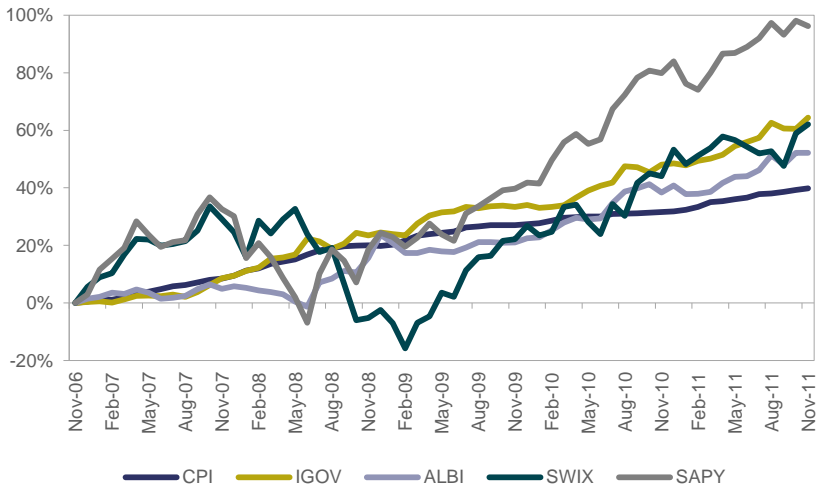
Asset Class	Fund Manager	Building Block / Benchmark	Strategic Allocation
Domestic Equity incl. Property (2.5%)	Dibanisa	Dibanisa RAFI® All Share Capped Tracker Fund	57%
Domestic Bonds	Dibanisa	Dibanisa All Bond Tracker Fund	13%
Domestic Cash	Futuregrowth	Old Mutual Core Money Market Fund	10%
<b>Domestic Total</b>			<b>80%</b>
International Equity	Dibanisa	Dibanisa All Country World Index Fund	15%
International Cash	Macro Strategy Investments	Weighted average of 3-month treasury bills using the IMF SDR basket currency weights	5%
<b>International Total</b>			<b>20%</b>

Source: I-NET Bridge

## Diversify with Inflation-linked Bonds & SA Listed Property funds

- + Inflationary fears are increasing in emerging markets due to developed world central banks increasing liquidity to boost their economies, revive bank lending and stimulate corporate spending.
- + Dibanisa now offers an inflation-linked bond (ILB) fund that tracks the government bonds of the Composite Inflation-linked Bond Index (IGOV). ILBs have very low correlation to traditional asset classes and managed to deliver returns in line with inflation during a period of rising interest rates in 2007 and the first half of 2008. The IGOV Index has outperformed the All Bond Index (ALBI) by 1.7% p.a. over the last five years.
- + The FTSE/JSE SA Listed Property Index (SAPY) and ILBs have delivered returns above inflation during a period of falling equity markets in the second half of 2008. The SAPY has outperformed the FTSE/JSE Shareholder Weighted All Share Index (SWIX) by 4.3% p.a. over the last five years.

### 5-year cumulative returns of the Inflation-Linked Bond and SA Listed Property indices to 30 November 2011



Source: I-NET Bridge

*“Cost-effective, technology-dominated tracker solutions can add significant value to a fund’s overall portfolio construction.”*



**Craig Chambers | MD**



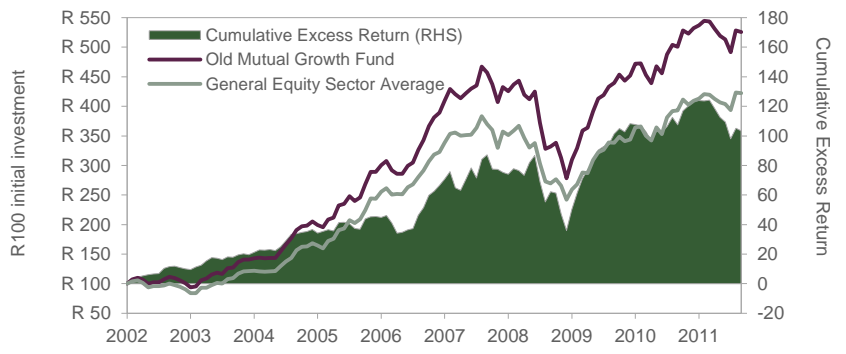
## MARKET HIGHLIGHTS

- For the month to the end of November 2011, the FTSE/JSE All Share Index (ALSI) rose 1.6%, while the FTSE/JSE Shareholder Weighted All Share Index (SWIX) rose 2.0%.
- Resource shares were the best performers, rising 2.1%, while industrials and financials rose 1.5% and 0.82%, respectively. Large caps rose 1.5%, mid-caps rose 2.0% and small caps rose 1.0%.

## PERFORMANCE PROFILE

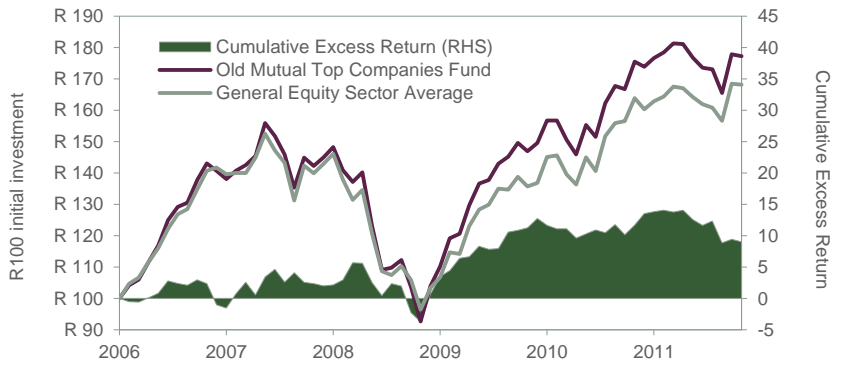
- As shown in the end-November charts, the funds have strongly outperformed their Domestic-Equity-General unit trust peer-group average over both the medium and the long term. An important change is that the Old Mutual Growth Fund has started buying units of the new Old Mutual Global Emerging Markets (GEM) Fund, a fund also managed by the ELECTUS boutique.
- Within the resources sector, we continue to have a bias towards the large diversified and high-quality mining companies, especially the undervalued Anglo American, as they are typically low-cost producers with diversified income streams across various commodities and geographies. We also hold selected and undervalued single-commodity shares in businesses which we believe have a competitive position in 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 for the banks, and Old Mutual in the life assurance sector, as we continue to believe it offers significant upside return potential.
- 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 NOVEMBER 2011) \*



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

### OLD MUTUAL TOP COMPANIES FUND (TO END OF NOVEMBER 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

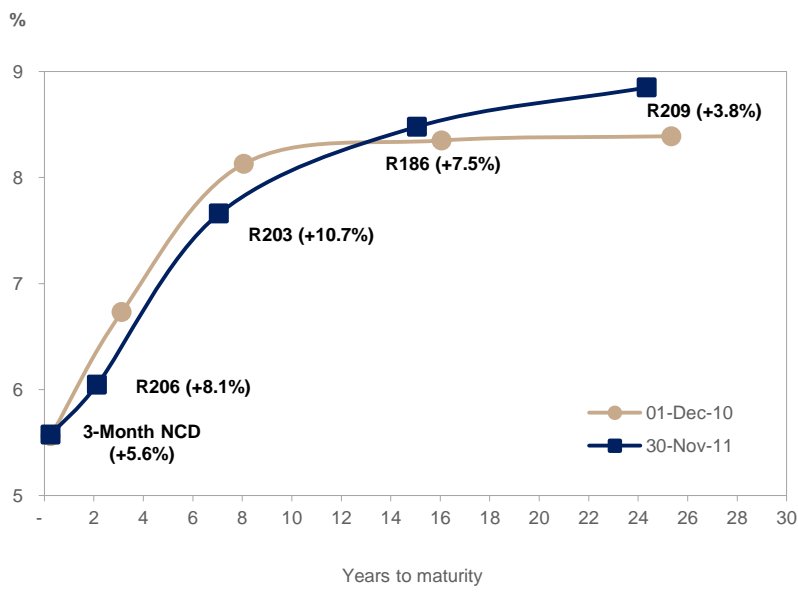
## Market Highlights

- Our scepticism about the latest Eurozone agreement, noted at the end of October, proved to be well founded, judging by events over the past month: euro depreciation against the other major currencies; political turmoil in Greece and Italy; and a sharp rise in bond yields to new Eurozone-era highs, as the peripheral governments find it harder to lure investors.
- Once again, small open economies like ours were exposed to the might of global sentiment swings – resulting in another round of broad-based rand weakness and upward pressure on local bond yields. This has forced the market to adjust near-term inflation expectations upwards. Rising inflation and an improvement in general consumption expenditure convinced our central bank to keep the repo rate at its current multi-decade lows.
- As a result, the yield of the benchmark 10-year RSA government bond rose by 40 basis points (bps) during the month, before settling at 7.92% or 5bps higher at month end. Following closely on the heels of a particularly weak October, the inflation-linked bond market returned with a vengeance, as sharply falling real yields reflected strong demand by those fearing higher future inflation. The official Inflation-linked Bond Index rendered a monthly return of 2.5%, followed by cash (+0.5%) and the All Bond Index (+0.01%).

## Investment Strategy

- Our money market funds are neutral duration and overweight in short- and medium-dated assets.
- We express a strong preference for variable-rate bonds, as opposed to fixed-rate bonds, given the point in the interest rate cycle.

## Yield-curve steepening offers an investment opportunity (asset returns over one year in brackets)



Sources: I-Net, Futuregrowth

- In our bond mandates, we have reduced the underweight modified-duration tilt into recent market weakness, but remain cautious.
- Corporate debt spreads have tightened to the point where we conduct a very selective purchase strategy.
- Inflation-linked bonds still offer good value, despite the strong bull rally over the past month.

*“Our investment view remains defensive, with a focus on short-term capital preservation while carefully considering potential investment opportunities into market weakness, especially with regards to long-dated, fixed-rate bonds.”*



Wikus Furstenberg | Portfolio Manager

# Macro Strategy Investments

## Monthly market comments

- ▲ The European debt crisis continued to weigh on markets in November. However, coordinated action by central banks to lower the cost of funding for the US dollar, and a cut in the reserve requirement ratio in China, provided a boost to markets at month end.
- ▲ Global equities were still down around 3% in dollar terms for the month, but some weakness in the rand softened the impact on our portfolios.
- ▲ The FTSE/JSE All Share Index (ALSI) gained 1.6% in November, but the sharp move to a positive return occurred after the month-end pricing of our funds.
- ▲ The All Bond Index (ALBI) was flat, while the Inflation-linked Bond Index gained 2.5% and cash returned 0.5%.
- ▲ Year to date, the SA bond market has had net inflows of R44bn and SA equities have had outflows of R15bn.
- ▲ Domestic economic data released in November points to sluggish recovery, with quarter three's gross domestic product growth (GDP) coming in below consensus at 1.4%, credit extension remained flat, and the Purchasing Managers Index (PMI) rose to 51.6 from the previous reading of 50.5.

The rand has weakened in 2011, but remains near levels first seen 10 years ago.



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 November 2011

AGGRESSIVE		1 Year	3 Years	5 Years
Profile Funds	Profile Pinnacle	10.2%	14.1%	9.4%
	Performance Target: CPI + 7%	13.4%	12.0%	14.0%
Life Wrapped	Optimised Aggressive	7.4%	12.9%	7.7%
	Performance Target: CPI + 8%	14.4%	13.0%	15.0%
Unit Trusts	Old Mutual Flexible Fund	5.7%	15.1%	8.4%
	Performance Target: CPI + 8%	14.4%	13.0%	15.0%

MODERATE		1 Year	3 Years	5 Years
Profile Funds	Profile Balanced	10.5%	13.2%	8.6%
	Performance Target: CPI + 5%	11.4%	10.0%	12.0%
Life Wrapped	Optimised Balanced	7.5%	11.8%	7.1%
	Performance Target: CPI + 6%	12.4%	11.0%	13.0%
Unit Trusts	Old Mutual Balanced Fund	8.3%	12.7%	7.6%
	Performance Target: CPI + 6%	12.4%	11.0%	13.0%

CONSERVATIVE		1 Year	3 Years	5 Years
Profile Funds	Profile Stable Growth	10.4%	11.3%	8.9%
	Performance Target: CPI + 4%	10.4%	9.0%	11.0%
Life Wrapped	Optimised Defensive	7.5%	9.6%	8.1%
	Performance Target: CPI + 4%	10.4%	9.0%	11.0%
Unit Trusts	Old Mutual Stable Growth Fund	7.4%	9.9%	–
	Performance Target: CPI + 4%	10.4%	9.0%	11.0%

VERY CONSERVATIVE		1 Year	3 Years	5 Years
Profile Funds	Profile Capital	9.9%	10.2%	9.4%
	Performance Target: CPI + 3%	9.4%	8.0%	10.0%
Unit Trusts	Old Mutual Real Income Fund	7.5%	11.4%	9.2%
	Performance Target: CPI + 3%	9.4%	8.0%	10.0%

Below performance target      On or above performance target

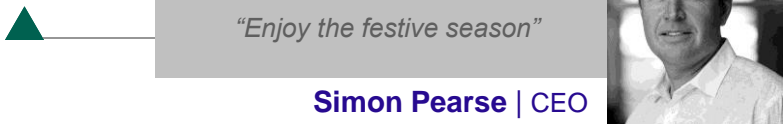
Note: A performance target is not necessarily the same as a benchmark. It is the average level of performance that the fund manager aims to achieve over the long term.

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 November 2011

- Inflation:** October consumer inflation accelerated to its highest level since January 2010 as food and petrol prices continued to exert significant upside pressure. CPI is now at 6%, and is set to breach the upper limit of the South African Reserve Bank (SARB)'s 3% - 6% inflationary target band next month. What is concerning is that the strong rand has offset some of the effects of imported inflation for most of 2011. Almost one third of our gross domestic expenditure (GDE) consists of imports, thus the rand's recent depreciation against the US dollar will exert significant upward pressure on inflation in the months ahead.
- Currency:** The rand is currently trading at around R8.30/US dollar. A likely contributor to the rand's recent depreciation is a significantly lower volume of foreign inflows into South African capital markets during 2011 when compared to 2010.
- Local Markets:** The FTSE/JSE All Share Index (ALSI) declined in value by some 3% for the month of November. We are of the view that the majority of sectors making up the ALSI are expensive, as reflected in low dividend yields without the prospects of above-average dividend growth. Sectors that are showing good value are telecommunications and insurance. The forward yields of Vodacom, MTN, Altech and Liberty Holdings compare favourably to current cash interest rates. On an after-tax basis, the yields of these securities are even more attractive. These companies also have the potential to grow their income in line with inflation over the next five years.
- Offshore Markets:** Seeking out reliable dividend streams and high dividend yields will be a way of ensuring a reasonable expectation of returns. With the 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.



## The Marriott Personal Portfolio

This portfolio is designed to accumulate and grow the value of your capital, and assist with long-term retirement income planning. Your investment choice should produce a reliable monthly income, which is automatically reinvested until it is needed.

**Investment Choice:** You may construct a personalised investment portfolio using a combination of Marriott unit trusts, or you may select the managed investment portfolio. The Investment Tool at [www.marriott.co.za](http://www.marriott.co.za) will assist you in constructing your portfolio of choice.

PRODUCT CHOICE   FEES AND OPTIONS

### Investment Tool for The Personal Portfolio

#### Construct Your Investment Portfolio

Capital amount to be invested: R 1,000,000

Capital value after 10 years: R 2,926,872

All-inclusive management fee: 1.09% p.a. excl. VAT

Construct your own portfolio  
 Select the managed portfolio

Drag the slider to select your investment portfolio:

Less income earned   More income earned

More income growth   Less income growth

Money Market Fund	0	%
Income Fund	44	%
Property Income Fund	0	%
Dividend Growth Fund	15	%
Intl Real Estate Feeder Fund	0	%
First World Equity Feeder Fund	41	%

#### Step by Step Guide

- A Enter your investment amount
- B Select your investment portfolio
- C Select your fees and other options

[Print PDF](#)

- This investment seeks to provide:**
- Capital value growth from income growth and capital accumulation from income reinvested.
  - A reasonable expectation of future monthly income.
  - A reasonable expectation of future capital value.

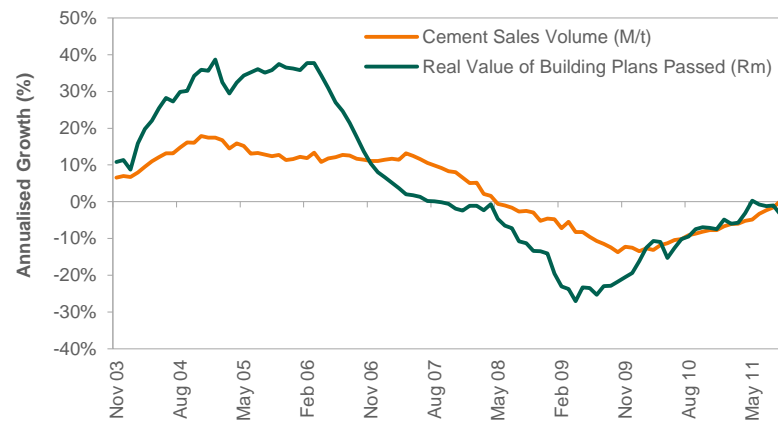


# Property

## Market Highlights

- ▲ The global economic growth outlook continues to be uncertain on the back of European Union (EU) and US debt issues. As a result, the risk to commercial property growth is still to the downside.
- ▲ While occupancy rates have improved marginally, rental growth remains in the single digits. Further declines in the rate of domestic economic growth could put additional downward pressure on rentals.
- ▲ In saying that, subdued building activity could moderate the supply/demand balance and support rental growth in the short term.
- ▲ Although cement sale volumes have increased by an annualised 2.9% for the 12 months ending October 2011, the growth in the value of non-residential building plans passed remains negative and, in real terms, is now similar to levels seen in 2004.
- ▲ In terms of asset allocation, our sector preference remains with retail, as the office sector is expected to lag in the medium term.

## Subdued supply side could support sector rental growth



Sources: IPD, Old Mutual Property Research

## Performance Profile

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

- ▲ As at the end of October 2011, SA Corporate's total return for the year to date (y-t-d) was 12.0%. The fund outperformed the FTSE/JSE SA Listed Property Index (SAPY)'s 7.7% y-t-d return, maintaining a top-half ranking in the listed sector.
- ▲ Management continues to apply pressure on the portfolio's collection ratio, lease renewals and unsigned leases – managing down these risks as they relate to the portfolio's income statement.
- ▲ The disposal strategy continues to progress well with seven conditional disposals of strategically non-core retail properties currently in the pipeline.
- ▲ The acquisition of the LG Electronics High Tech Industrial Park reaffirms management's commitment to single-tenanted, triple-net leases with long tenure and strong covenants.
- ▲ The three developments continue to progress as planned, with Musgrave and Davenport retail expansions due to be completed in time for the Christmas shopping period.

### Triangle Funds (Direct Real Estate)

- ▲ In line with the Core Funds' sustainability strategy, the fund took the initiative to install a vermicomposting operation at Cavendish Square Shopping Centre.
- ▲ The process is a safe, hygienic and odourless way of processing organic kitchen and paper waste to produce high-quality compost and liquid fertiliser.
- ▲ Several efficiencies will be gained from the project; most notably a reduction in the centre's carbon emissions and waste.
- ▲ The project, which has created employment for two people, commenced on 1 September 2011 and has, to date, processed 1.7 tonnes of organic waste – creating 1 200 litres of liquid fertiliser.
- ▲ All liquid fertiliser produced will be donated to NGO's and community groups.

*"With increasing pressure on vacancy rates, our preference is for dominant retail centres."*

**Peter Levett** | Boutique Head



# Toros Equity

## Market Highlights

- The FTSE/JSE All Share Index (ALSI) gained 1.6% on a total return basis in November 2011. Food & drug retailers again performed strongly, rising 15.7%. Support services, Telkom and platinum lagged.
- The rand depreciated marginally.
- The best-performing emerging market in November in US dollar terms was South Africa (+0.3%), while the worst-performing was India (-16.0%).

## Portfolio Overview

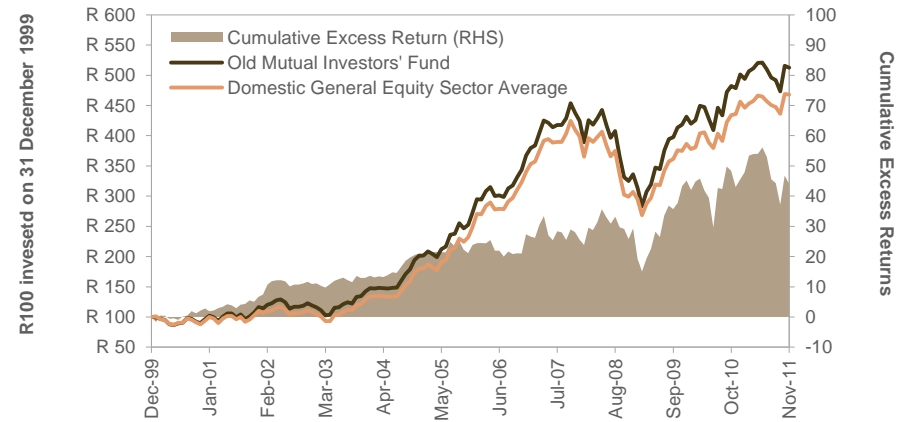
- While Europe is showing some progress in sorting out their financial woes, we recognise that the situation remains challenging, with Germany and the European Central Bank (ECB) locked into a position which is unhelpful to a successful resolution.
- We maintain a preference for undervalued, quality shares with steady growth and appealing dividend yields. The premium at which these shares trade could continue in a world environment burdened by debt related issues.
- We expect the market to continue to lurch between optimism and pessimism, and investors should maintain a cautious stance in the short term.

*'We expect the market to continue to lurch between optimism and pessimism; investors should maintain a cautious stance in the short term'*

**Peter Linley** | Boutique Head

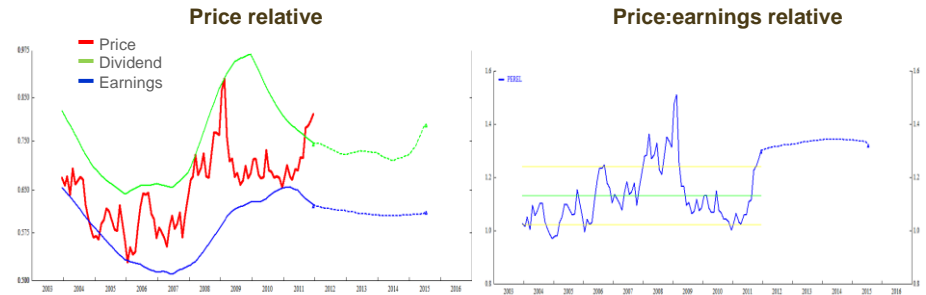


## Old Mutual Investors' Fund performance to 30 November 2011



Sources: Morningstar & OMIGSA

## Defensives vs Cyclical



Defensive shares (safer, less volatile) continued to outperform cyclical shares (more affected by the economic cycle) last month, as investors pay up for 'quality' in a deleveraging global environment.

Sources: OMIGSA

Defensive shares trading at a 30% premium on a p:e relative basis to cyclicals, compared to the long-term average of 10%. As long as investors remain risk-averse, this premium is likely to remain.



# Value Equity Investments

## Market Highlights

- ▲ The SA equity market continued to show positive momentum over the month, with the FTSE/JSE All Share Index (ALSI) gaining 1.6% on a total return basis for the month of November.
- ▲ The volatile nature of the market was extremely evident in November, with all the gains coming on the last day of trading. Up until 29 November, the ALSI was tracking 2% lower on negative newsflow from Europe, China and the US. The strong rebound (+4%) on the last day of trading was largely due to China cutting its required reserve ratio for banks by 50 basis points (bps) – a clear sign of easing – and a joint effort by central banks to lower swap rates, thereby easing liquidity constraints in the market.

## Old Mutual High Yield – the fund for the next ten years

- ▲ Looking back at total return over the last decade, it becomes clear that in a low-return environment, dividends play a significant roll in the composition of total return. The world needs to cure itself of the massive leverage undertaken over the last 10 years, and is anticipated to deliver lower total returns over the next decade.
- ▲ The Old Mutual High Yield Opportunity Fund aims to provide shareholders with a dividend yield in excess of 1.5 times the ALSI's yield, with a value underpin. We believe that our robust philosophy and process will provide a reasonable platform to maximise shareholder returns over the next decade.
- ▲ During the course of the past few months, we have been able to collect some good dividends for investors, which will translate into a healthy distribution in early January.
- ▲ However, we do not only look for companies with current high dividend yields. A well-constructed portfolio of dividend-paying shares is also about looking for companies with a low debt and strong earnings culture, and that demonstrate the potential to grow their income over time. These companies tend to do well, even in bear markets. So, in volatile markets, investors should ensure their portfolios contain some of these blue-chip companies.

## Composite of total returns – 10 years

	Total return p.a.	Price return p.a.	Yield return p.a.	Yield / Total
Japan	0.2	-1.0	1.2	706%
USA	1.4	-0.5	1.9	138%
UK	4.0	0.0	4.0	101%
Germany	5.3	2.3	3.0	57%
Hong Kong	9.2	5.0	4.2	45%
Australia	15.4	10.5	4.9	32%
China	14.2	10.7	3.5	25%
South Africa	19.0	14.5	4.5	24%
World	2.8	0.4	2.4	86%
Emerging Markets	16.1	12.6	3.6	22%

**IN A LOW RETURN WORLD,  
DIVIDENDS BECOME EVEN MORE IMPORTANT.**

*"Expect a healthy pay-out in January"*

**Feroz Basa** | Joint Boutique Head



**OLD MUTUAL**  
Investment Group

Value Equity  
Investments

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# Regulatory Information

## Old Mutual Investment Group

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Physical address: Mutualpark, Jan Smuts Drive, Pinelands 7405  
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The investment products are market-linked. Products are either policy based or unitheld 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.

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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 30 November 2011.