

OLD MUTUAL MULTI-MANAGER PRIVATE EQUITY FUND 2

FUND DESCRIPTION

This is a high risk fund which aims to aggressively outperform inflation. It invests in multiple underlying private equity funds, which in turn invest mostly in companies not listed on a public stock exchange. Private equity funds have the potential to outperform traditional asset classes over the long-term and to provide diversification for the sophisticated investor through their low correlation with other asset classes. The key to this private equity fund is the multi-management, which exposes the investor to expertise and opportunities smaller single managers might not necessarily be able to access.

This is an aggressive fund with a risk rating of 5.

INVESTMENT STRATEGY

The fund is designed to have exposure to a broad range of underlying private equity funds, thus maximising the diversification benefits and limiting exposure to any one private equity deal or fund. We anticipate investing in between 6 and 8 underlying funds, with each fund having a targeted allocation ranging from 10% to 25% of the gross Old Mutual Multi-Manager Private Equity Fund 2 portfolio on a committed capital basis. To date, allocations have been secured in the following private equity funds:

- OMIGSA Fund 1
- OMIGSA Fund 2
- Brait Fund 4
- Ethos Fund 5
- Lereko-Metier Capital Growth Fund
- Actis Fund 3
- Capital Works Fund 1

With exposure to no fewer than seven underlying private equity funds and dozens of private equity investments, the fund is one of the most diversified private equity funds to be offered in South Africa.

LEVERAGE

The Multi-Manager Private Equity Fund 2 will use leverage to optimize the exposure profile to draw down private equity investments over the life of the fund. Fund leverage will be targeted to remain below 50% of the value of the underlying assets at all times. A leverage charge, equal to the prevailing prime interest rate, will be levied on the borrowed funds. It should be noted that the leverage charge cannot be offset against any taxable income arising in the fund.



FUND MANAGER: MARK GEVERS

Head Of Private Equity
Alternative Investments Boutique

Our team of experts find and close private equity deals, aiming to deliver exceptional, uncorrelated long-term returns to investors.

INVESTMENT VEHICLE

The Multi-Manager Private Equity Fund 2 is available through a life wrapper from Old Mutual.

SUBSCRIPTION PERIOD

Investment into the Multi-Manager Private Equity Fund 2 will occur in monthly tranches, with each tranche having a defined opening and closing date. All investments will initially be placed in an early subscription fund until the relevant month-end tranche closing date. The early subscription fund will earn interest at the same rate as Old Mutual's SA Money Market Fund. At the month-end tranche closing date, the funds (including interest earned in the early subscription fund) will be switched into the Multi-Manager Private Equity Fund 2 at the prevailing month-end unit price.

INDIVIDUAL INVESTOR LIMITATIONS

Because of limited capacity, a limit of R200 million per investor will be placed on investments into the fund (subject to manager discretion). All investment inflows shall be prioritised on a first-come first-served basis, until the available capacity is fully absorbed.

INVESTMENT TERM AND FORM OF RETURNS

As the underlying investments are realised by the fund managers over time, distributions or repayments will be made to investors via a money market fund within the Old Mutual contract wrapper. Distributions are not expected to be made before the end of the fifth year since the fund's inception.

The investment will end once all underlying investments are realised, at which time the fund will fully pay out and then close. This will be at the latest on 31 December 2017.

LIQUIDITY

Investor-elected disinvestments from the Multi-Manager Private Equity Fund 2 will be allowed on a quarterly basis subject to a disinvestment charge of 5%. Note that withdrawals from the relevant life wrapper may be subject to restrictions imposed by legislation.

VALUATION AND PRICING

The underlying private equity investments are valued in depth on a quarterly basis. Such valuations are based on the European Venture Capital Association's valuation guidelines as endorsed by the SA Venture Capital Association. In some cases, the Multi-Manager Private Equity Fund 2 will acquire interests in early-stage underlying funds from Old Mutual at Old Mutual's cost rolled up at prime to the date of acquisition. During the limited period during which the Multi-Manager Private Equity Fund 2 remains open for new investment, the value of the underlying assets in the fund will be based on the cost of acquiring additional interests in the assets from Old Mutual.

While the fund is open for new investments, intra-quarter unit prices will be calculated based on the value of the underlying private equity investments as at the previous quarter end, rolled up at prime since the quarter-end, and updated in respect of net portfolio cash holdings and accruals for tax, fees and carried interest*. On month-ends coinciding with calendar quarter-ends, the month-end unit price will reflect the updated quarterly valuation of the underlying private equity assets. On intra-quarter month-ends, the price will reflect the previous quarter-end values rolled up at prime.

WHO SHOULD INVEST?

The fund is available to individuals, retirement funds, companies, trusts and tax-exempt institutions. It is suited to sophisticated investors who have an understanding of the key characteristics of the asset class. It is a high risk, aggressive investment, due to both the nature of the underlying investments, as well as the ability to use leverage. No investment guarantees are offered and there is a risk of capital loss. Investors should have a long-term investment horizon, and understand the liquidity restrictions associated with both the fund and the life wrapped investment vehicle. It is not desirable for an investor to have a large proportion of their investment portfolio concentrated in private equity.

Fund Benchmark:

CPIX + 10% p.a.

Minimum/Maximum Investment:

R100 000 to R200 000 000 (Maximum subject to manager discretion)

Fees, costs and carried interest*:

- **Advisor Fees**:**
Initial and/or annual advisor fees may be payable. These fees are fully negotiable between the client and the advisor.
- **Administration Fees**:**
Initial and annual administration fees are payable on a sliding scale depending on the investment size.
- **Underlying Private Equity Funds:**
The underlying managers charge management fees, earn carried interest*, and their funds incur organisational and transactional costs.
- **Old Mutual Multi-Management fee and carried interest*:**
Old Mutual will charge a multi-management fee of 0.75% p.a. of the market value of the underlying private equity assets, and will earn carried interest* of 10% of the net returns after all underlying private equity fund fees and the base multi-management fee. The carried interest is only earned if this net return exceeds the fund's benchmark of CPIX+10%.

* Carried interest is a commonly used term in the private equity industry. It is a share of the net returns earned in a fund that accrue to the manager. Carried interest is only payable once all costs have been recovered, the relevant minimum hurdle rate of return has been achieved, and the underlying investments have been realised and the cash proceeds returned to investors.

** For details of the advisor and administration fees payable, refer to the Investment Frontiers "fees and commission" page at www.fairbairncapital.com, or consult your financial advisor.

REGULATORY INFORMATION

The investment described in this guide is available through a long-term insurance policy underwritten by Old Mutual Life Assurance Company (South Africa), a Licensed Financial Services Provider. The investments are managed by Old Mutual Investment Group (South Africa) (Pty) Limited, a licensed financial services provider, FSP 604, approved by the Registrar of Financial Services Providers (www.fsb.co.za) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. Old Mutual Investment Group and Old Mutual Life Assurance Company (South Africa) are wholly owned subsidiaries of Old Mutual South Africa Limited, Registration No 1993/003023/07. The information and opinions contained in this guide are made in good faith and are based on sources believed to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. The opinions expressed herein are not intended to serve as authoritative investment advice and should not be used in substitution for the exercise of own judgement. The price of shares/units and any income from them may fall as well as rise. Past performance or fund benchmark performance is not necessarily a guide to the future and investors may not get back the full amount invested. When a subscription involves a foreign exchange transaction, it may be subject to the fluctuations of currency values. Exchange rates may also cause the value of underlying overseas investments to go down or up. It should be noted that investments within the fund may not be readily marketable. It may therefore be difficult for an investor to withdraw from the fund or to obtain reliable information about its value and the extent of the risks to which it is exposed. November 2008.

Contact details

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