



19 January 2012

Dear Investor

We write to you at the conclusion of another successful year for Old Mutual Private Equity and its investors. All of our retail funds delivered positive returns for the year, in what continued to be a volatile environment. In addition, all of the funds outperformed the FTSE/JSE All Share Index (ALSI) over the year.

A highlight of 2011 was the realisation of a number of mature investments, all of which contributed positively to performance in our funds. The realisation of Pepkor, Life Healthcare, Moresport and Shanduka resulted in a large cash distribution to investors in Old Mutual Multi-Manager Private Equity Fund 1 (OMMMPEF1) and a material reduction of debt in both Old Mutual Multi-Manager Private Equity Fund 2 (OMMMPEF2) and Old Mutual Private Secondary Equity Fund (OMPESF).

In 2011, our funds provided strong results for investors who utilise private equity as a diversifier within their equity portfolios. All of the funds outperformed the ALSI and delivered very competitive returns when compared with asset managers managing equity portfolios.

Fund Returns as at 31 December 2011:

FUND	Q4 2011	1 year	Annualised Return since inception*
Old Mutual Multi-Manager Private Equity Fund 1 (OMMMPEF1)	3.8%	33.8%	30.3% (5 years, 8 months)
Old Mutual Multi-Manager Private Equity Fund 2 (OMMMPEF2)	6.5%	10.2%	-0.1% (4¼ years)
Old Mutual Private Secondary Equity Fund (OMPESF)	20.1%	7.2%	16.1% (2¼ years)

Longer Term Performance vs. FTSE/JSE All Share Index since inception:

FUND	Inception Date	Annualised Return since inception*	ALSI	Performance vs. ALSI
OMMMPEF1	1 May 2006	30.3%	10.5%	19.8%
OMMMPEF2	1 Oct 2007	-0.1%	4.4%	-4.5%
OMPESF	1 Oct 2009	16.1%	14.7%	1.4%

*UPF (untaxed) basis, annualised, net of fees

OMMMPEF1 was up 3.8% for the final quarter of 2011, resulting in a phenomenal total return of 33.8% for the year. The realisation of some of the large holdings in the fund during the year, namely Pepkor, Life Healthcare and Moresport, resulted in a cash distribution back to investors of two thirds of investment value. This was paid to investors in the third quarter of 2011. This fund has grown investors' capital by over 30% a year since its inception in May 2006.

OMMMPEF2 was up 6.5% for the quarter and 10.2% for the year, outperforming the ALSI by 7.6% in 2011. Following the negative impact of the financial crisis in 2009, OMMMPEF2 has grown by 35% over the last two years – outperforming the ALSI by 13% over the period and taking the fund back to within less than 0.5% of original cost.

OMPESF was up 20.1% for the quarter. This was driven by some normalisation of local and international comparable multiples that, amidst the turmoil in Europe, were severely down at the end of the third quarter and were responsible for most of the negative return over that period. The successful sale of our stake in Shanduka at the end of the year was also a strong positive contributor to returns for this quarter. Despite challenges during the year, the fund achieved a good positive annual return and outperformed the ALSI by 4.7%. More significantly, the fund is up 16.1% a year since its inception in October 2007.

Closure of OMPESF: Following continued strong demand for private equity, we are pleased to announce that we have reached capacity in OMPESF and will be closing the fund to new investors at the end of January 2012. We would like to thank our investors for their support in raising over R650m into this fund in less than two years.

We are finalising the design and construction of our next fund, **Old Mutual Multi-Manager Private Equity Fund 3 (OMMMPEF3)**, our third private equity multi-manager product offering. We expect to launch this fund in the second quarter of 2012.

We wish you all the very best for the year ahead.

Best regards,

The Old Mutual Private Equity Team

Contractual rights and obligations of investors in these funds are subject to contract. Private Equity investments have short term to long term liquidity risks and there are no guarantees on the investment capital nor performance. The value of the investment may fluctuate as the value of the underlying investments change. Past performance is not necessarily a guide to future investment performance.

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