



Profile Pinnacle Portfolio

Multi-asset class solutions: the Profile range

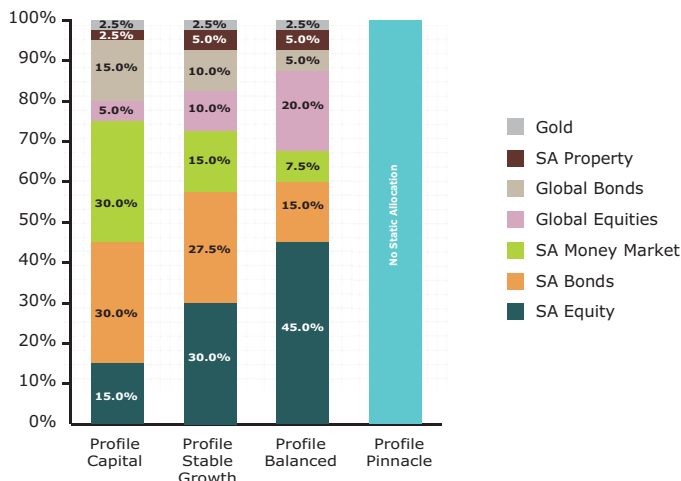
The suite of Profile portfolios is a comprehensive range of unitised, market-linked portfolios that span the risk/return spectrum. These policy-based investments are specifically designed for institutional investors and are compliant with Regulation 28 of the Pension Funds Act of South Africa.

Within the parameters of their mandates, the Profile portfolios invest across a range of local and offshore asset classes including equity, interest-bearing instruments, property, convertibles, commodities and derivatives.

There are four portfolios in the Profile portfolio range, from very conservative to aggressive. The investor may also switch between these funds within the range on a seamless basis to correspond with their changing risk profile.

Static benchmark asset allocation

The static benchmark represents our view of the optimal long-term asset allocation per portfolio.



Portfolio manager



Peter Brooke is the lead portfolio manager for this portfolio. He is the head of Macro Strategy Investments and has over a decade of experience in portfolio strategy. In running the portfolio, he leverages off the top-down views of the Macro Strategy Investments team as well as bottom-up inputs of specialists within the asset classes, thus maximising the sources of alpha within the portfolio.

Market overview

The local equity market, as measured by the FTSE/JSE Shareholder Weighted All Share Index (SWIX), was flat for the month, yet gained 7.5% for the quarter. Emerging market equities (-3.3%) underperformed their developed market counterparts (1.3%) in March, but remain the outperformer for the year to date, with a return of 14.1% versus the 11.7% from developed market equities.

The rand is 2% - 5% stronger against the major currencies, as compared to the end of 2011, but weakened by 2.5% in March. The local listed property sector has delivered good returns of 2.1% and 8.0% for the month and quarter, respectively. The local bond market eked out a 0.1% return for the month and has returned 2.4% this quarter, outperforming local cash by 1.0%.

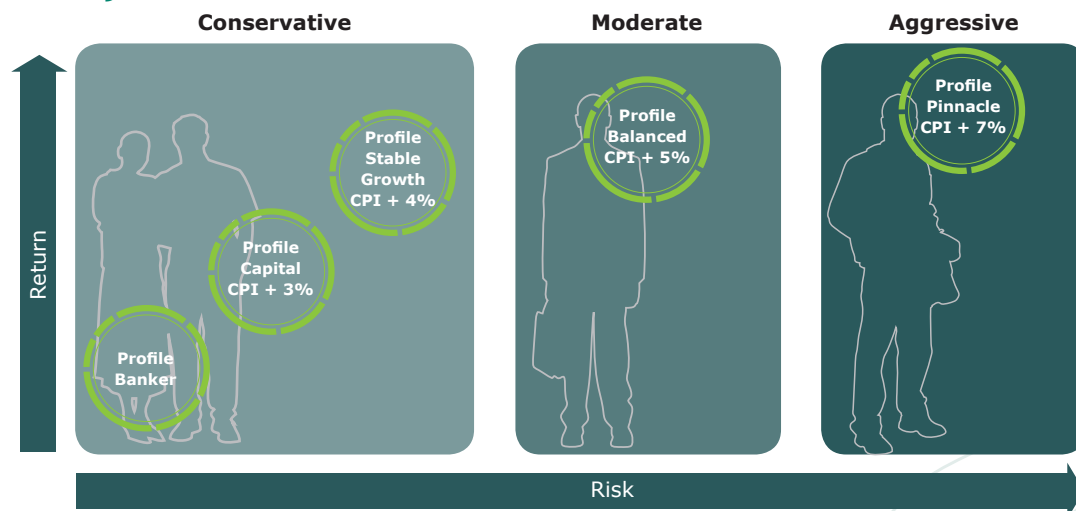
Fund performance commentary

When we wrote our commentary at the beginning of the year, we highlighted that we thought equities would outperform in 2012. This was certainly the case in the first quarter, with local shares gaining 7.5% and global markets gaining 6% (in Rand terms). The fund was well positioned for this with a fully-invested equity position. The fund also benefited from the outperformance of emerging market equities, in which it has an overweight position. It was not just equities that performed well, local and international listed property delivered returns of 8% and 6%, respectively. Pinnacle investors also benefited from this as the fund holds an additional 6% in property. A detractor over the period was the underperformance of resources shares. The fund has an overweight position based on some of the cheapest multiples on record. However, the fears around Chinese growth and the decline in commodity prices meant these shares underperformed. We do expect a recovery in resources shares late in the year when the Chinese start to stimulate their economy.

During the quarter the fund increased its bond exposure. It took advantage of Shoprite raising capital to buy convertible bonds in the company. These fit the fund's philosophy perfectly as they are a hybrid asset class with steady bond payments, but having the potential to participate in growth in the share price. As we always look for opportunities to create a total solution, we were able to take advantage of this issue in a very short space of time.

Looking forward, we do not expect a continuation of these excellent returns from growth assets. Markets have priced in a lot of good news and we still see material risks on the horizon, especially in Europe. Therefore, we expect more subdued returns and more volatile markets. While we maintain our long-term view that equities will be the best performing asset class, we believe it was prudent to reduce the risk profile of the fund. Therefore, we increased the derivative protection on the fund to bring down the effective equity exposure to 70%.

Risk and return objectives



Profile Pinnacle Portfolio

This is an actively managed and a flexible portfolio that seeks to deliver superior real returns over the long term by capitalising on short-term tactical asset allocation and stock selection opportunities across local and international asset classes. This investment suits investors who are prepared to accept the potential for significant short-term fluctuations in pursuing maximum growth over the long term.

The portfolio complies with Regulation 28 of the Pension Funds Act.

Additional information

Launch date

January 1995

Benchmark

No static asset allocation benchmark

Risk category

Active

Investment objective

The portfolio aims to maximise real returns, and targets CPI +7% per annum over the long term. As such, a relatively high level of short-term volatility can be expected.

Fees

Domestic assets: 0.65% p.a. (rebates for large funds)

International assets: 0.80% p.a.

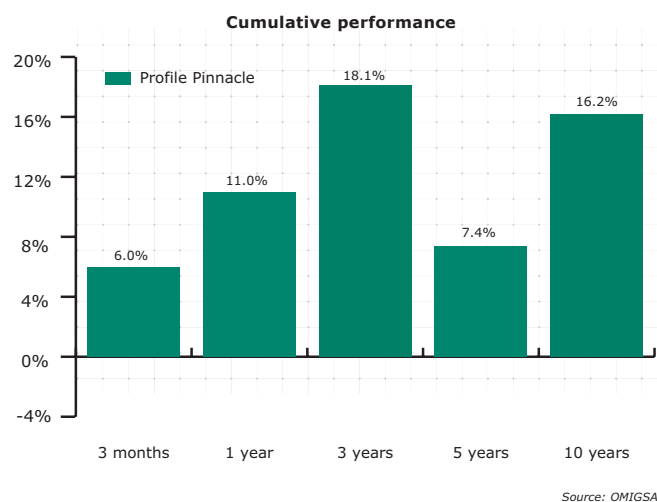
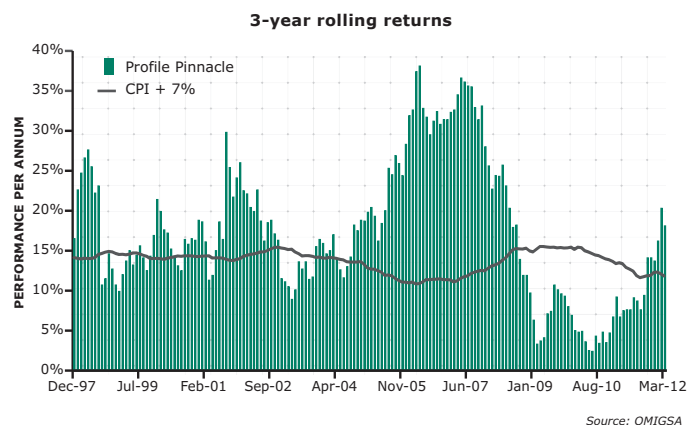
Plus: a performance fee in respect of alternative assets.

Fees on domestic assets exclude VAT. (VAT is deemed not payable.)

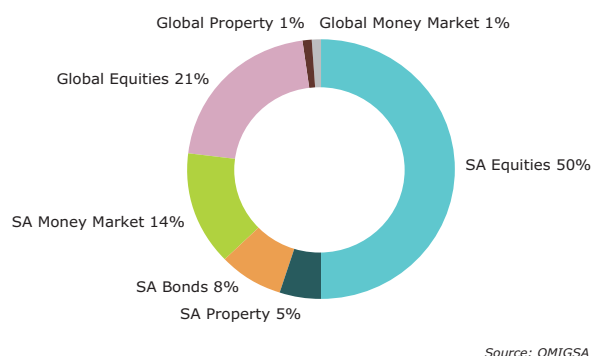
Principal holdings as at 31/03/2012

Holding	Sector	% of equity
MTN Group	Telecommunications	9.3
Anglo American	Basic Resources	9.2
Standard Bank Group	Banks	6.9
Sasol	Oil & Gas	6.8
BHP Billiton	Basic Resources	6.4
FirstRand	Banks	5.1
British American Tobacco	Personal Goods	3.8
Foschini	Retail	3.5
Steinhoff	Industrials	3.4
Investec	Banks	3.3
		57.7

Performance as at 31/03/2012



Asset analysis to 31/03/2012



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