



SURPRISING ALPHA FROM MINIMISING VOLATILITY

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ALWAYS CHOOSING A SMOOTHER PATH ...



IMPORTANCE OF MANAGING DOWNSIDE RISK

The impact of volatility on investors

Initial loss	Required gain
10%	11%
20%	25%
30%	43%
40%	67%
50%	100%

Assume an initial investment of R100

- If an investor loses 10%, R90 will remain
- A 10% increase will only make R99
- An 11% gain will be needed to go back to R100

THE CONVENTIONAL VIEW OF RISK AND RETURN

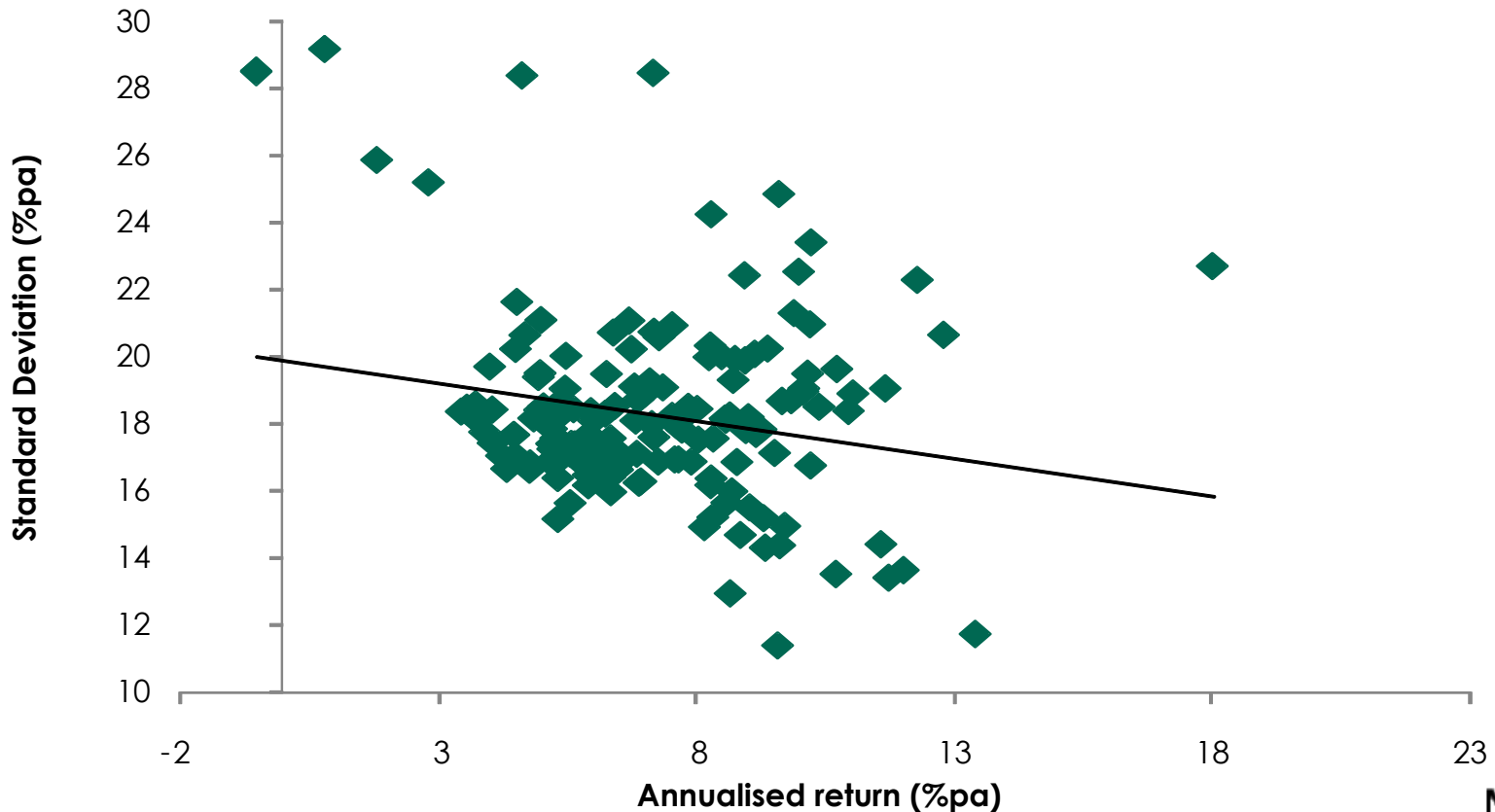
**Investors who hold higher risk portfolios
will be rewarded with higher returns ...**



DOES THE GLOBAL DATA SUPPORT THIS VIEW?

MSCI AC World

Std Deviation and Return in \$US (before fees) over 10 years ending March-12 (monthly calculations)
Comparison with the Global Equity universe

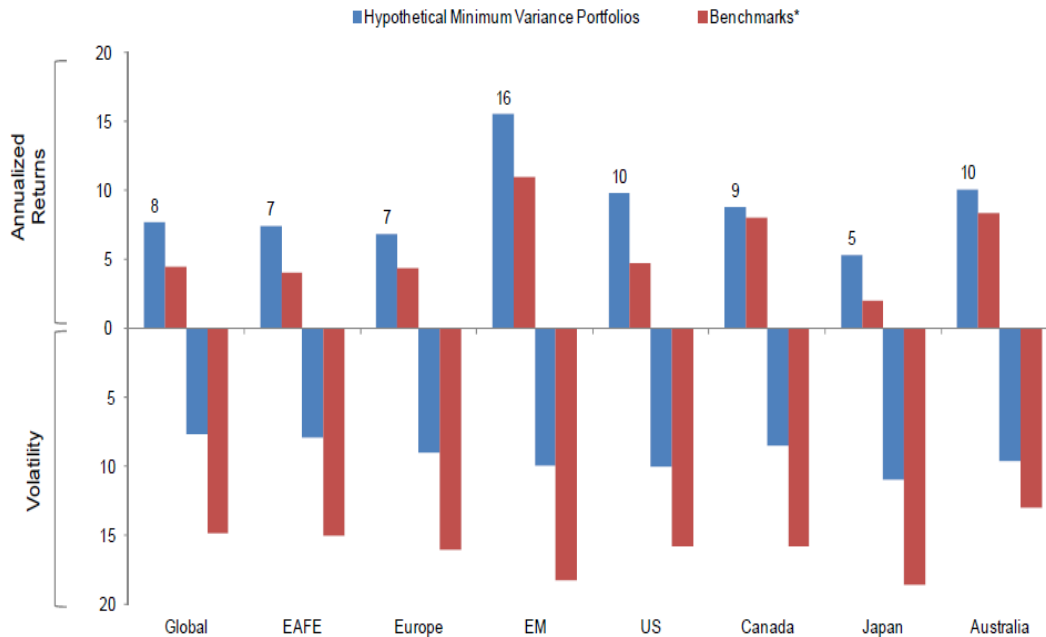


MERCER

Source: Mercer and Acadian

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THE LOW VOLATILITY ANOMALY IS APPARENT AROUND THE WORLD

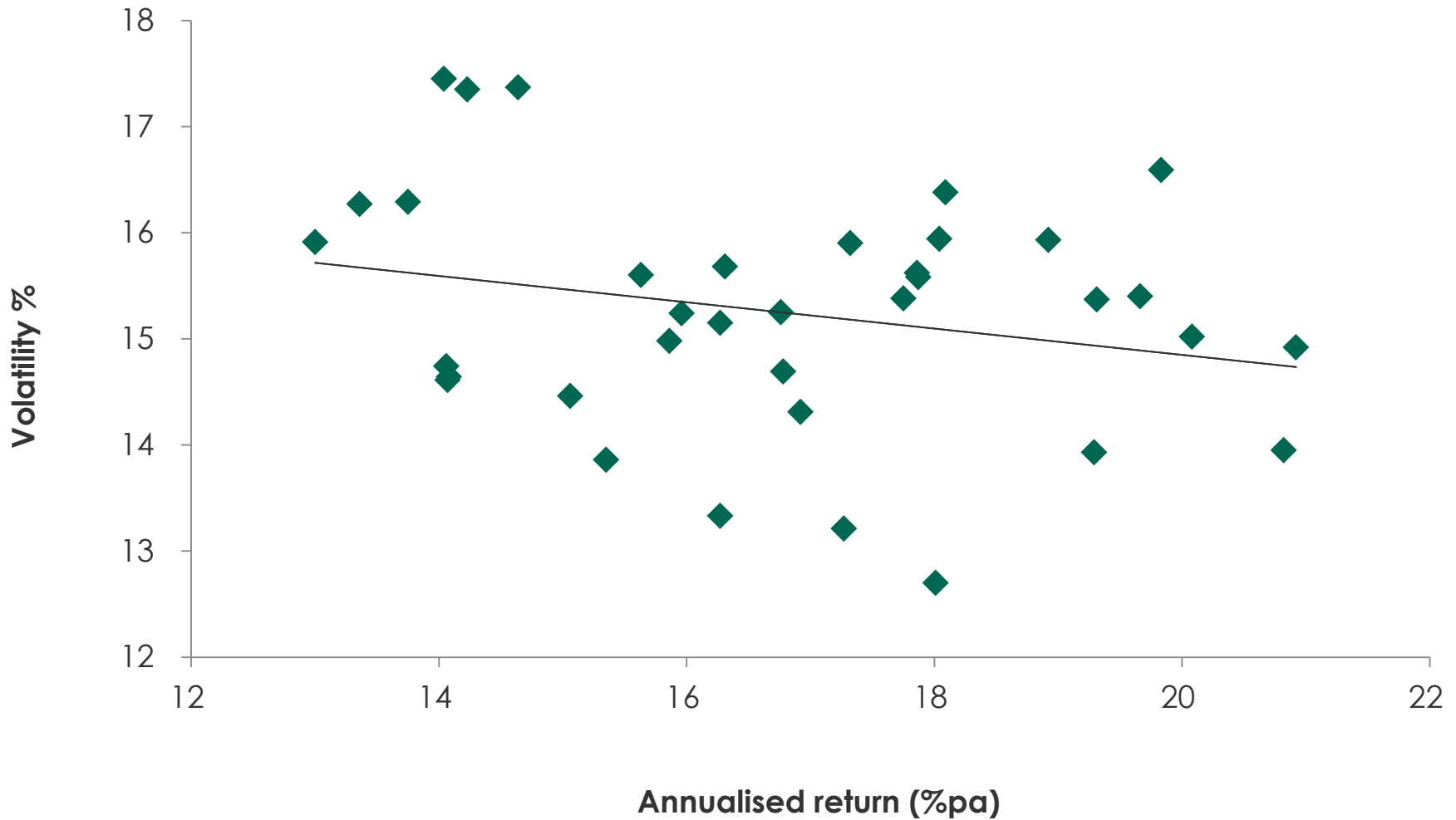


- We used available history of non-U.S. stock returns, from October 1998** through Sep 2013, to see if the low volatility anomaly was robust
- The returns of hypothetical minimum variance portfolios for Global, European, EAFE, Japan, U.S., Canada, Australia and Emerging Markets portfolios were similar, or higher, than their MSCI cap-weighted benchmarks on average
- Volatility was substantially lower

Source: Acadian Asset Management LLC, *MSCI World, MSCI Europe, MSCI EAFE, MSCI US and MSCI JP.
Methodology: Hypothetical portfolios period covers October 1998-September 2013, except EM, which covers January 2004 – September 2013.

For illustrative purposes only. This is meant to be an educational illustrative example and is not intended to represent investment returns generated by an actual portfolio. The Hypothetical Minimum Variance Portfolios we have created for educational illustrations do not include constraints on exposures to industries or, where relevant, countries and regions, nor do they manage toward a target for total portfolio risk. The hypothetical results do not represent actual trading or an actual account, but were achieved by means of retroactive application of a model designed with the benefit of hindsight for the period specified above. Results are gross and would be reduced by advisory fees. Results do not reflect transaction costs, other implementation costs and do not reflect advisory fees or their potential impact. Reference to the benchmark is for comparative purposes only. Hypothetical performance is not indicative of actual future results. Every investment program has the opportunity for loss as well as profit. Index Source: MSCI Copyright MSCI 2014. All Rights Reserved. Unpublished. PROPRIETARY TO MSCI.

DOES THE LOCAL DATA SUPPORT THIS VIEW?



7 Source: Morningstar – 10 years to 31 March 2012

THE CONVENTIONAL VIEW OF RISK AND RETURN

**Investors who hold higher risk portfolios
will be rewarded with higher returns ...**



THE SOURCE OF HIGHER ALPHA

**Lower risk
results in
higher
alpha**

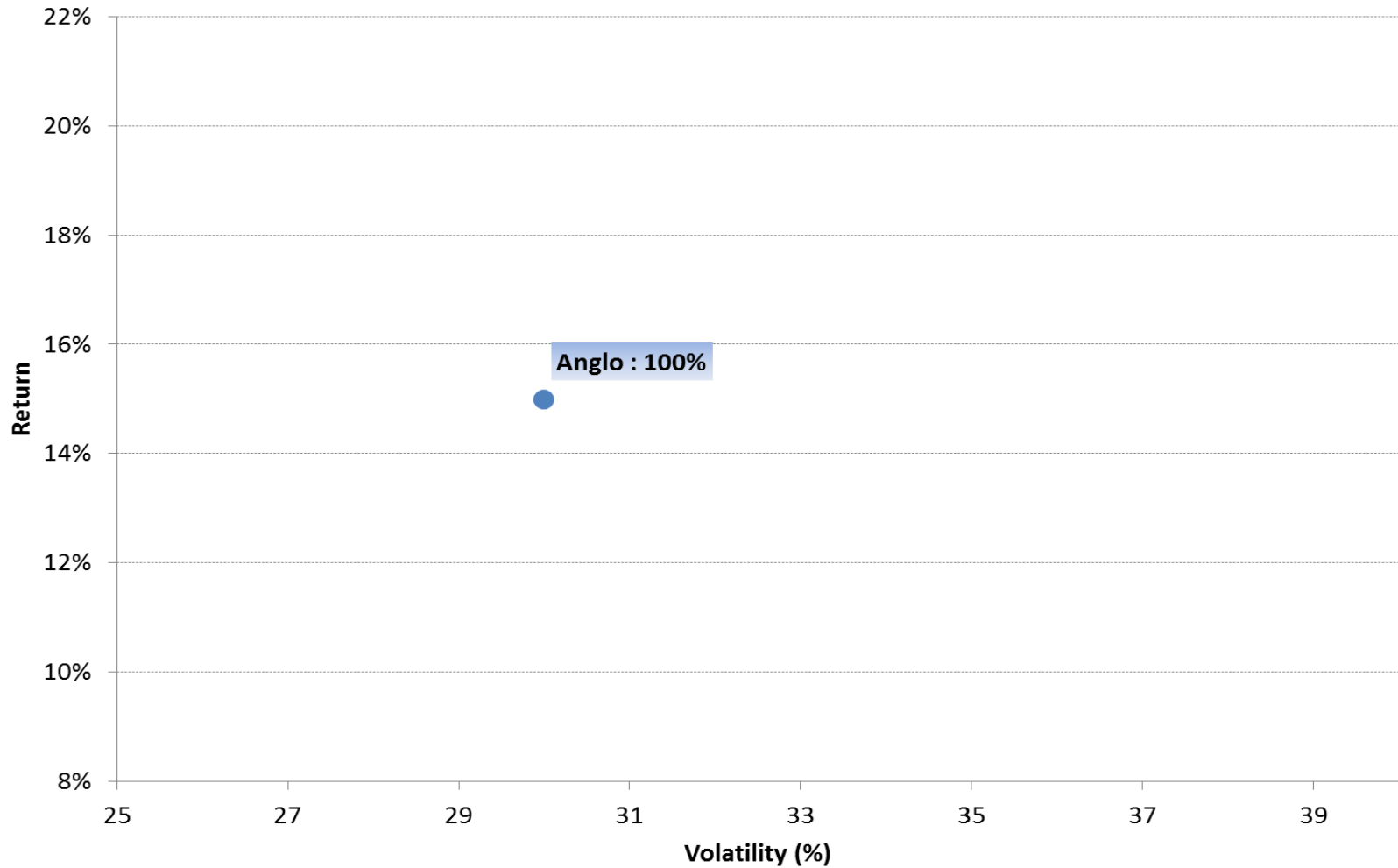


FOR CONSIDERATION ...

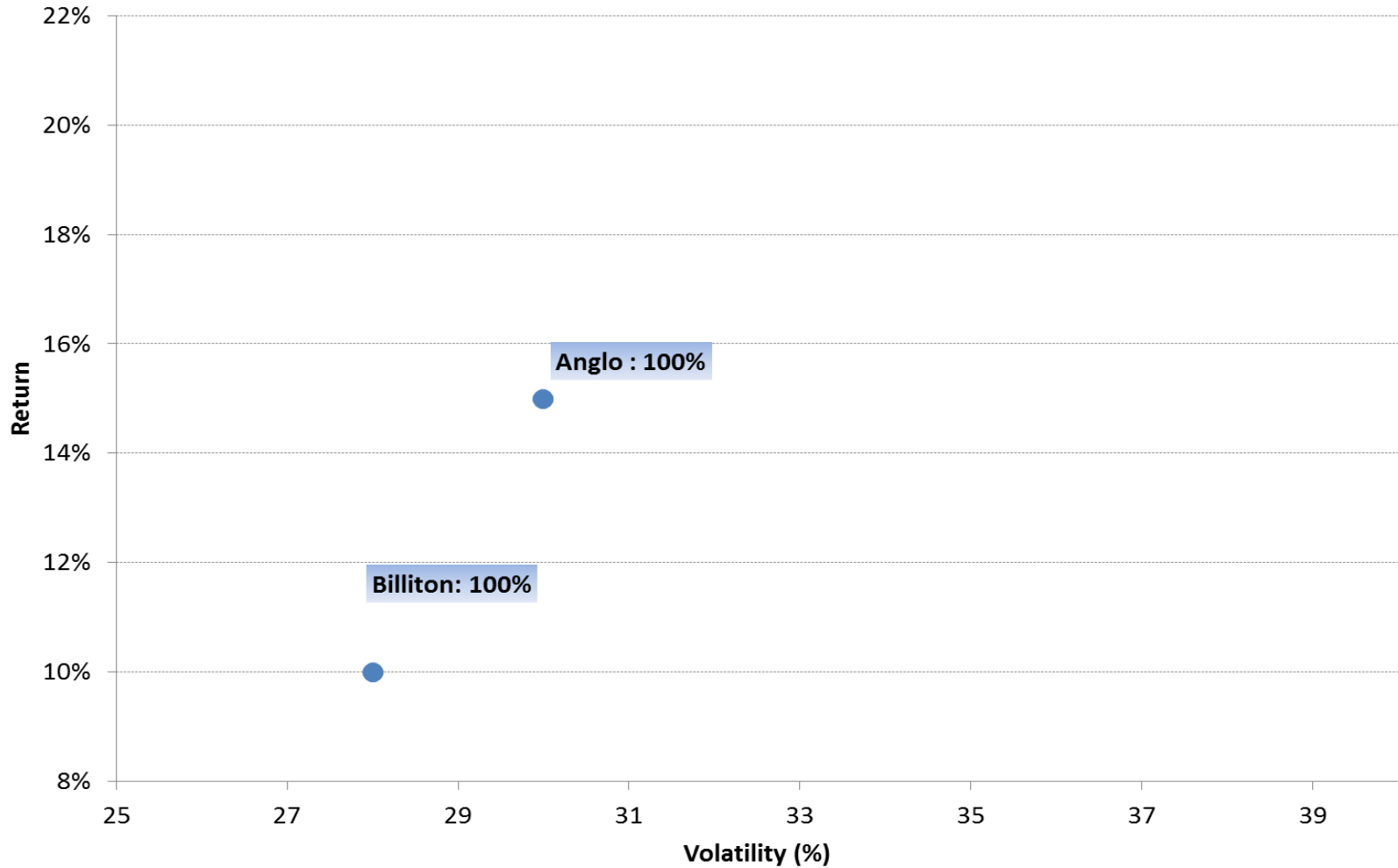
**Can we create a portfolio with high alpha
and surprisingly, low risk?**



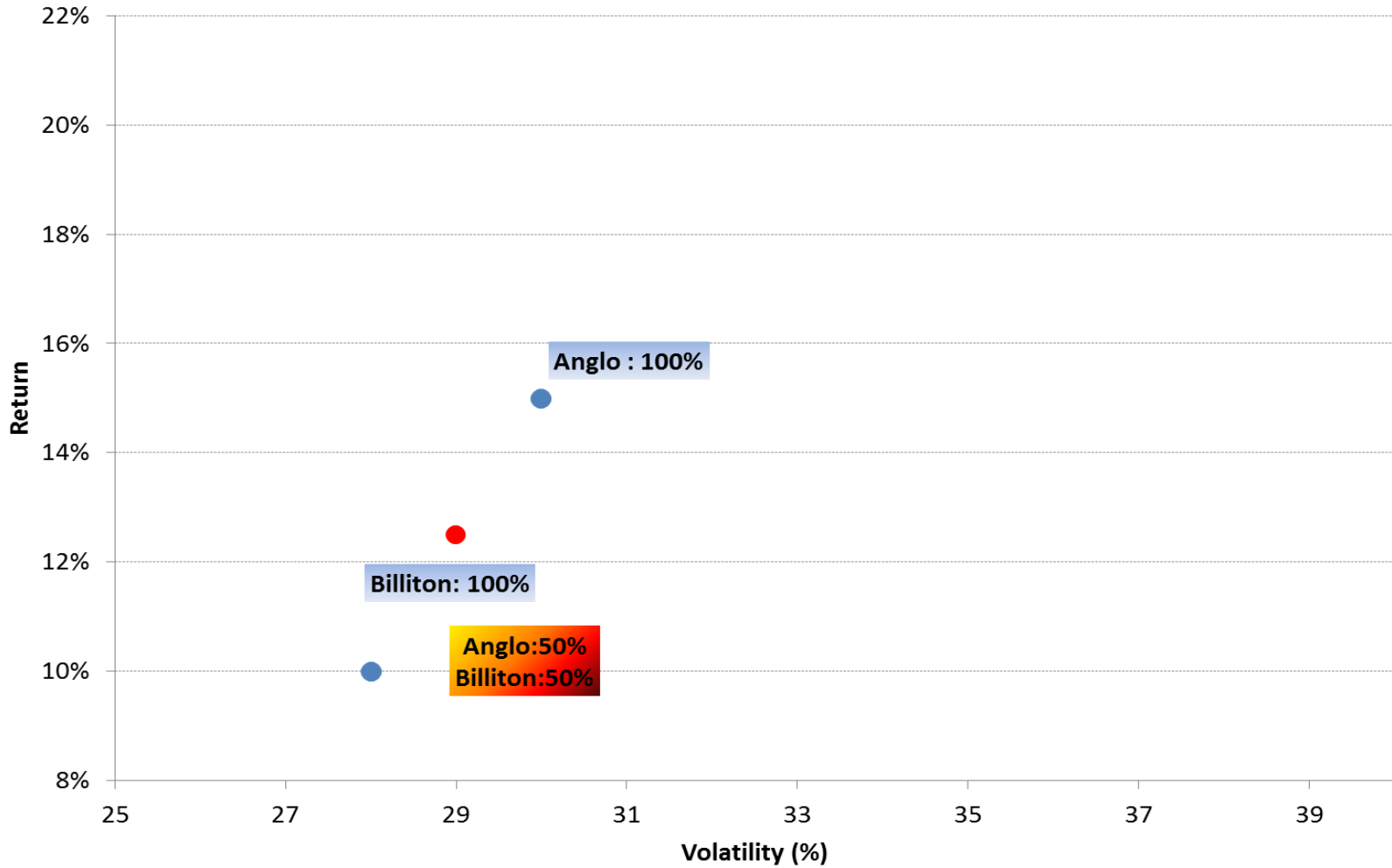
RISK DIVERSIFICATION BENEFITS



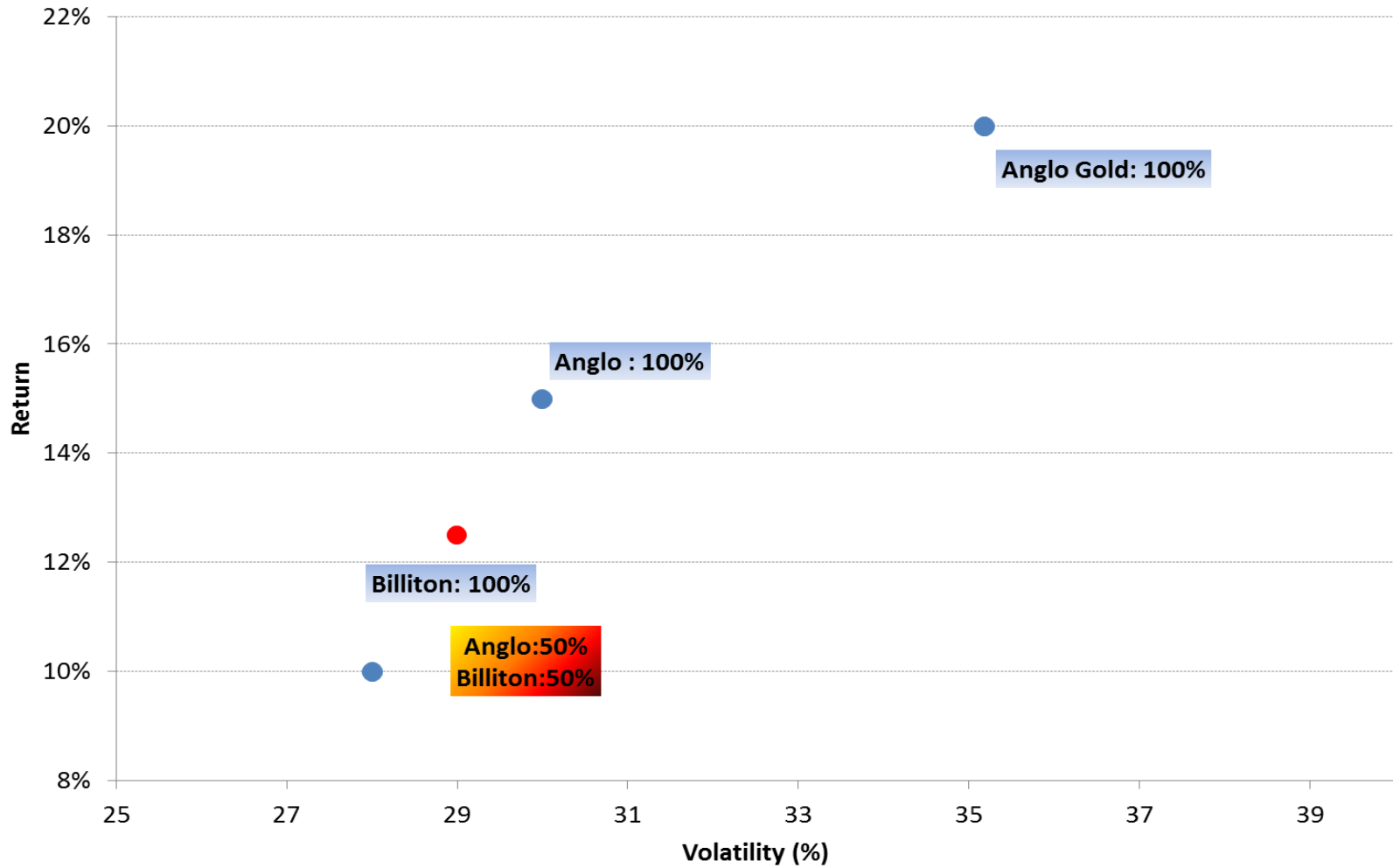
RISK DIVERSIFICATION BENEFITS



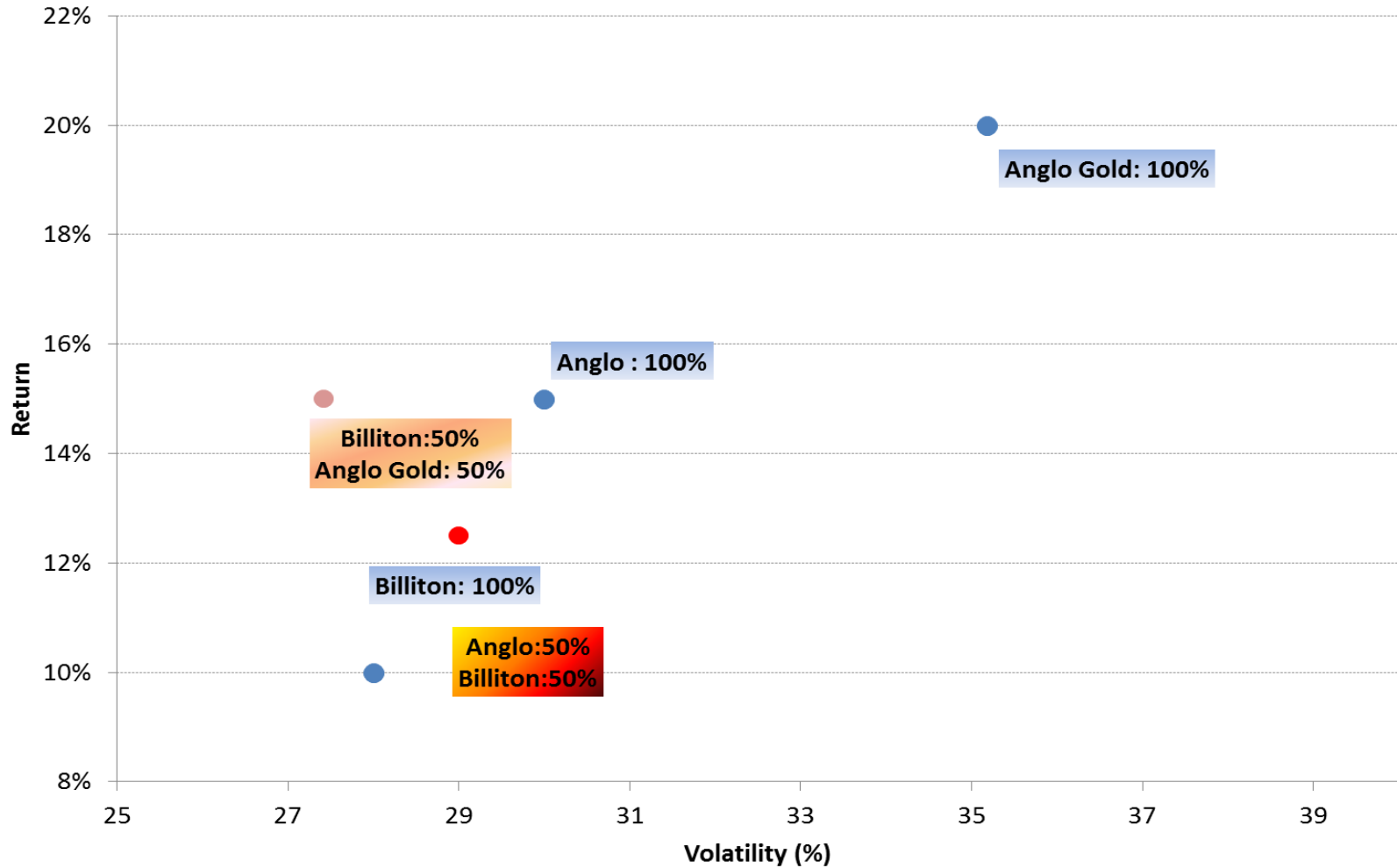
RISK DIVERSIFICATION BENEFITS



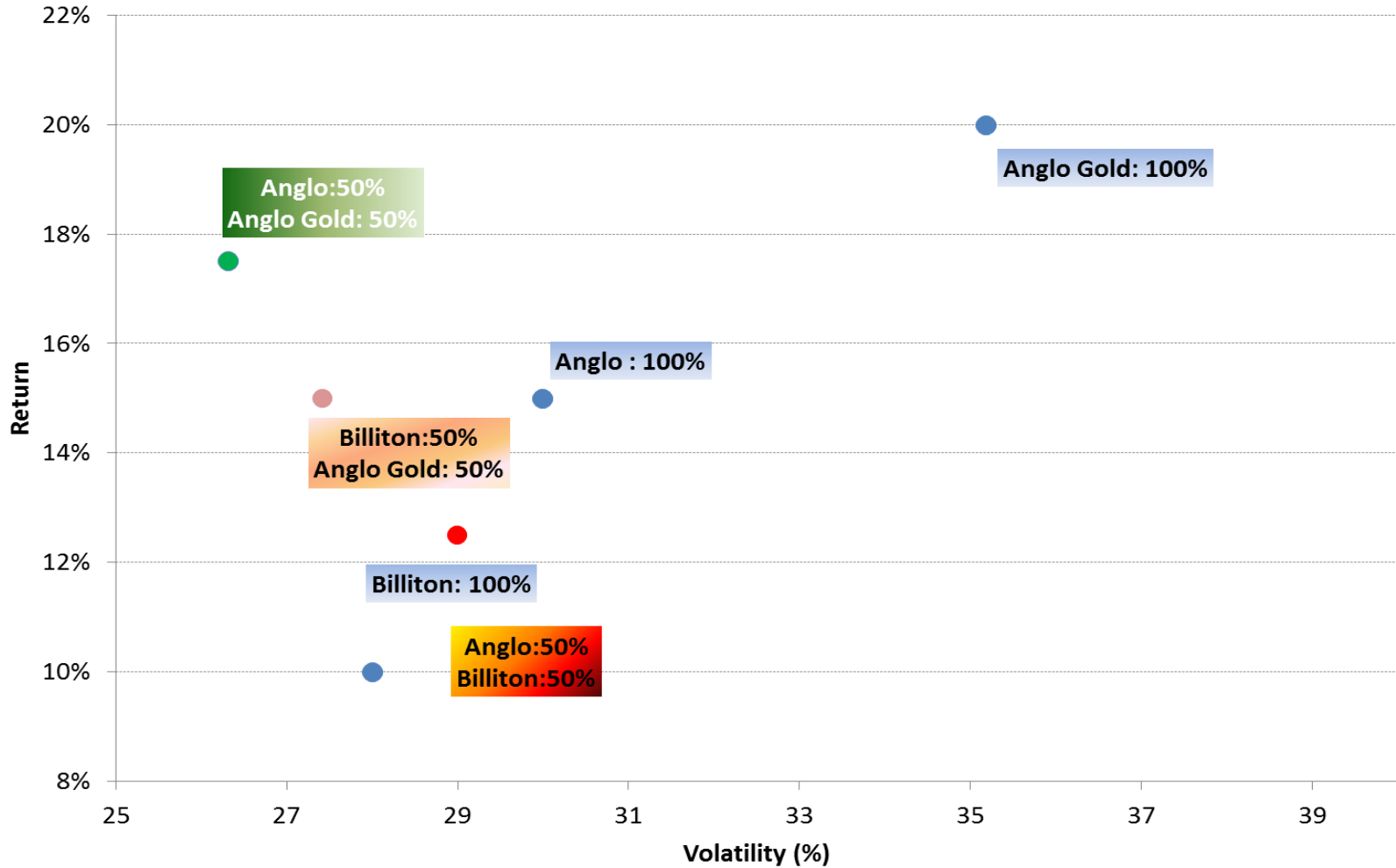
RISK DIVERSIFICATION BENEFITS



RISK DIVERSIFICATION BENEFITS



RISK DIVERSIFICATION BENEFITS



THE SOURCE OF HIGHER ALPHA

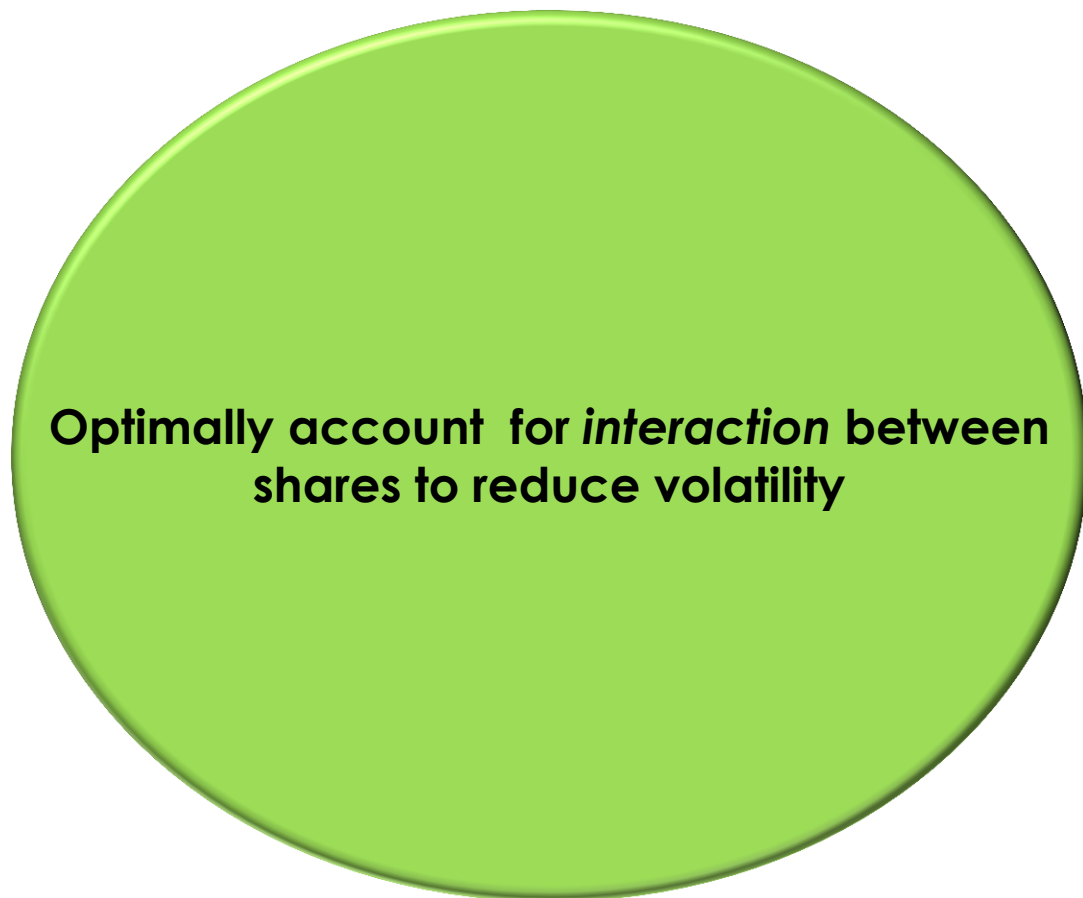
Our practical experience



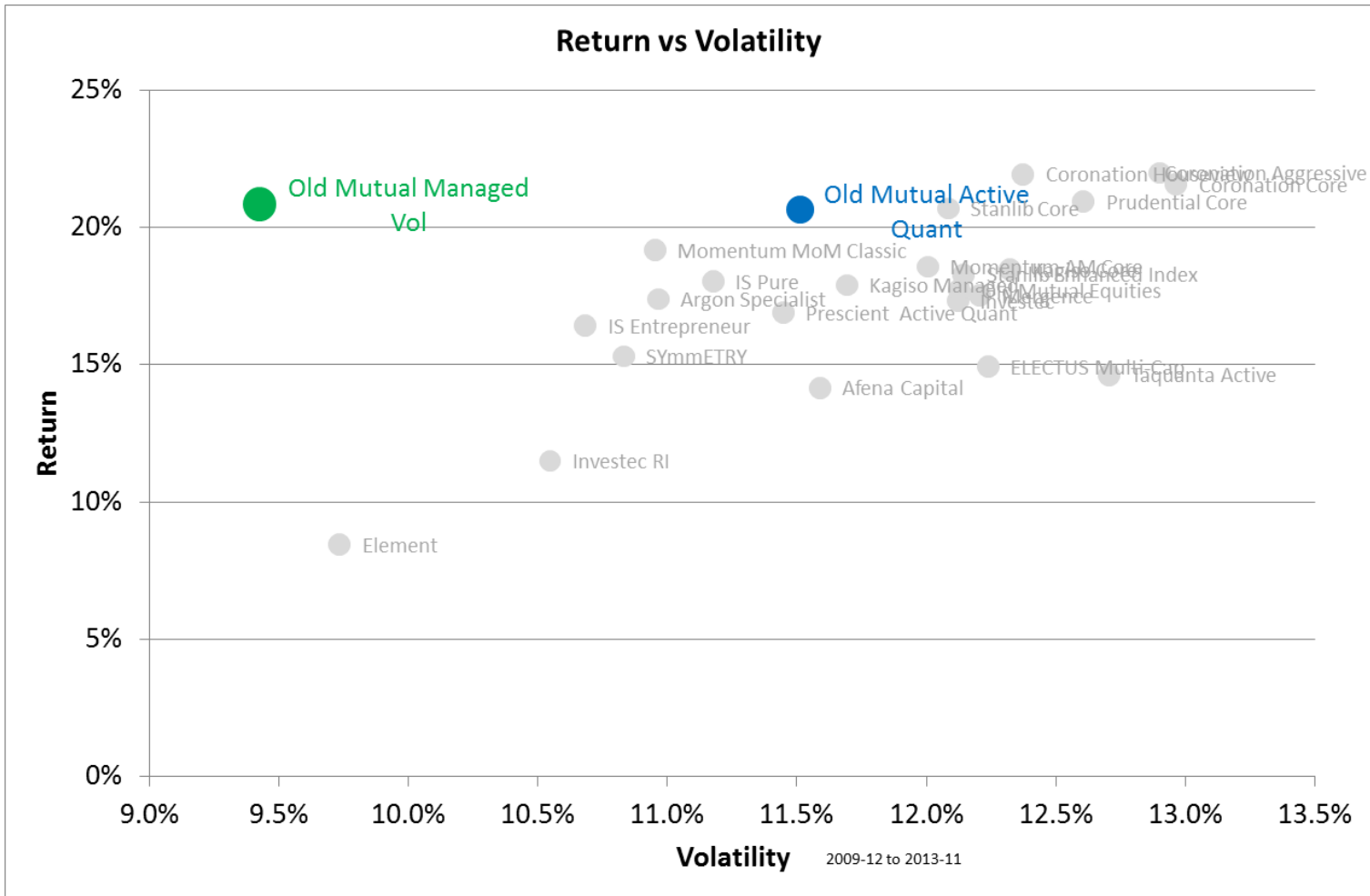
WHAT WE DON'T DO



WHAT WE DO



TOP RISK-ADJUSTED RETURNS



19 Source: Old Mutual Investment Group

ATTRIBUTION

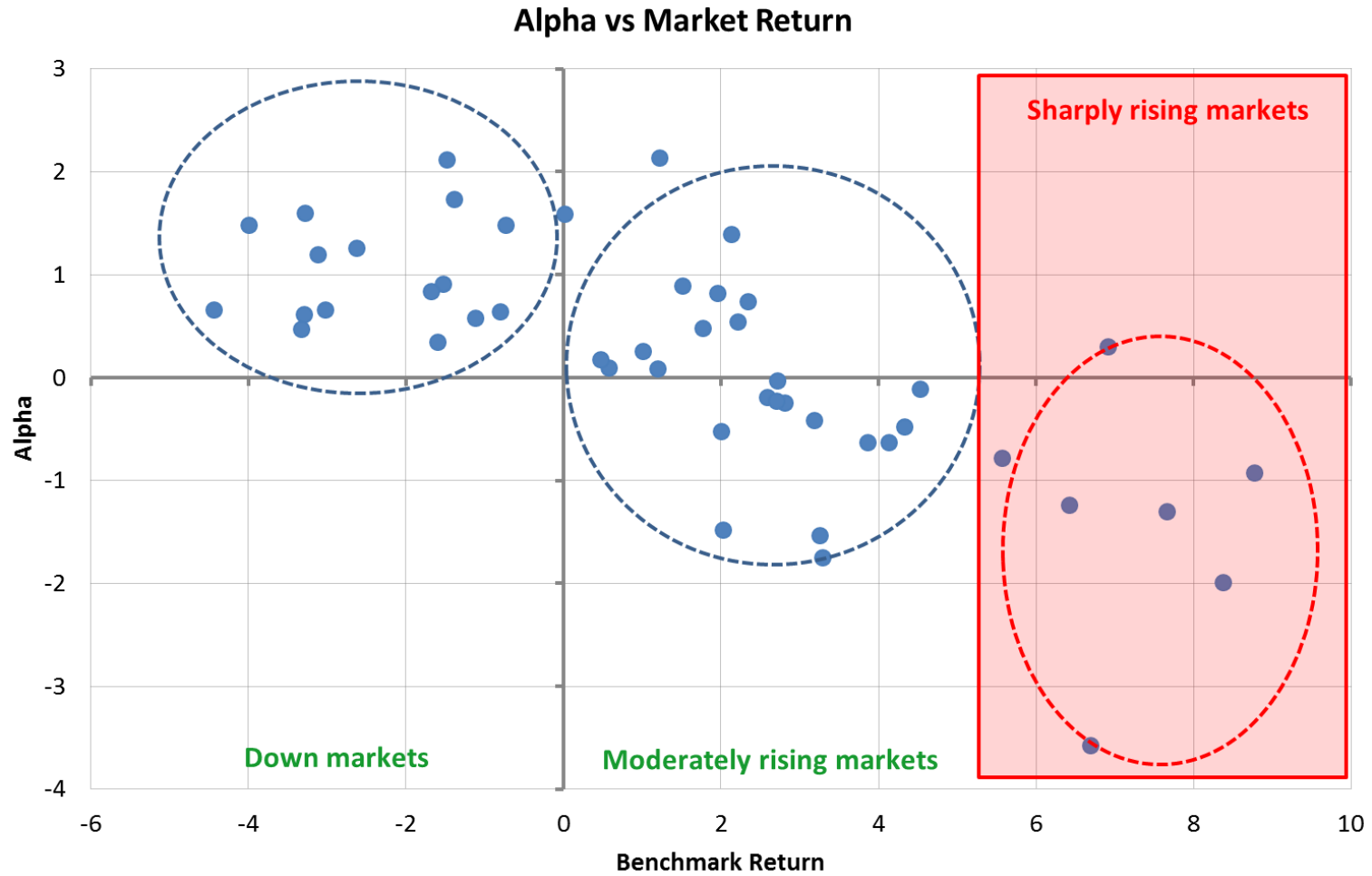
SINCE INCEPTION ANALYSIS	OLD MUTUAL MANAGED VOLATILITY FUND	SWIX TOTAL RETURN INDEX	ALPHA
Maximum Losing Month	-3.8%	-4.4%	-3.6%
Maximum Drawdown	-5.4%	-7.6%	-7.7%
Months to Recover	1	1	n/a
Average Monthly Return	1.5%	1.4%	0.1%
% of Positive Months	72.0%	66.0%	58.0%
Average Gain	2.9%	3.4%	0.9%
Average Loss	-1.9%	-2.4%	-0.9%
Maximum Gain (monthly)	7.8%	8.8%	2.1%

20 Source: Old Mutual Investment Group Dec-09 to Jan-14

ATTRIBUTION

RISK AND RETURN (annualised)	OLD MUTUAL MANAGED VOLATILITY FUND	SWIX TOTAL RETURN INDEX	ALPHA	
Return	19.6%	17.7%	1.9%	Since inception
Volatility	9.5%	11.8%		
Volatility Ratio	80%			
Tracking Error	4.0%			
Information Ratio	0.48			
Sharpe Ratio	0.2			
Sortino Ratio	3.5			
Beta	0.77			
Upside Beta	0.77			
Downside Beta	1.19			
Return	10.4%	14.9%	-4.5%	1 Year
Volatility	9.0%	12.2%		
Tracking Error	5.4%			
Information Ratio	-0.83			
Sharpe Ratio	-0.5			

ATTRIBUTION - ALL WEATHER FUND...



22 Source: Old Mutual Investment Group Dec-09 to Dec-13



CONCLUSION

BENEFITS FOR INVESTORS

- Lower risk can equal higher returns
- Smoother return path
- Excellent performance across varying market conditions
- Unique return source

REGULATORY INFORMATION

Old Mutual Investment Group (South Africa) (Pty) Limited

Physical Address: Mutualpark, Jan Smuts Drive, Pinelands, 7405

Telephone number: +27 21 509 5022

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