



WHY PENSIONS OPTIPLUS?

As a fund you want to ensure that the pension provided to your staff at retirement keeps up with inflation. Not only to attract high-calibre staff in future, but also to ensure your pensioners have the best possible lifestyle protection available. This can be achieved in a cost-effective manner through the purchase of a with-profit annuity on a group basis. The long term investment and insurance risks faced by an employer who retains the pensioner liability on books are hard to grasp and even harder to manage. Passing that liability on to Old Mutual is a prudent way to provide security, specialist investment and insurance expertise, as well as a proven expectation of income-level growth to pensioners. Old Mutual's Pensions OptiPlus are with-profit annuities that allow employers to outsource their pensioner liability to Old Mutual and to ensure competitive growth.

Note that Old Mutual Pensions OptiPlus is closed to new business. This investment update is intended to provide information to existing clients invested in Pensions OptiPlus.

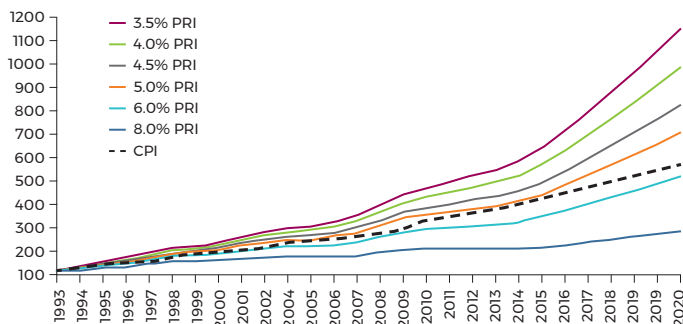
PERFORMANCE

Each category of Pensions OptiPlus declares a different bonus depending on the after-retirement interest rate (PRI) of that category. The PRI rate represents the minimum smoothed return, net of charges, that the portfolio underlying Pensions OptiPlus has to achieve to fund the current level of pension per annum. For a given upfront premium, the higher the pension category selected, the higher the starting pension, but the lower the expected increase each year. The lower the category selected, the lower the starting pension, but the higher the expected increase each year.

For each category, if the portfolio of assets backing an annuity earns less than the PRI, Old Mutual will maintain the current level of pension. If the return exceeds the PRI plus charges, Old Mutual would then be in a position to declare a bonus, to the current level of pension. For example, if the 4% PRI pension category declares a 3% increase, this implies a total annual return (net of charges) of around 7% (4% + 3%).

The graph below illustrates actual growth rates based on the same starting pension of R100, under the various PRI categories. Note, however, that for the same starting pension, a lower PRI category pension will cost more in upfront premium than a higher PRI category pension, but will offer better prospects for future increases.

ILLUSTRATION OF PENSION INCREASE CATEGORIES



		Pension category (Pricing Interest Rates)						
		3.5%	4%	4.5%	5%	6%	8%	CPI
Year	2016	11.0%	10.4%	9.7%	9.1%	7.8%	5.4%	4.6%
	2017	10.5%	9.9%	9.2%	8.6%	7.4%	4.9%	6.1%
	2018	10.0%	9.4%	8.7%	8.1%	6.9%	4.5%	5.1%
	2019	9.5%	8.9%	8.2%	7.6%	6.4%	4.0%	4.9%
	2020	9.0%	8.4%	7.7%	7.1%	5.9%	3.5%	4.1%
3-Year average		9.5%	8.9%	8.2%	7.6%	6.4%	4.0%	4.7%
5-Year average		10.0%	9.4%	8.7%	8.1%	6.9%	4.5%	5.0%
Since inception		11.0%	10.4%	9.6%	9.0%	7.8%	5.3%	8.9%

Increases declared for 2020 compares favourably against the CPI inflation rate of 4.1%. Increases on the 3.5% to 7% PRI categories have cumulatively outperformed CPI inflation over the past three and five years while, since inception, increases on the 3.5% to 5% PRI categories have cumulatively been higher than CPI inflation.

OLD MUTUAL'S PENSIONS OPTIPLUS IS WELL SUITED TO CLIENTS WHO

- Want a secure retirement with a pension payable for life
- Want a pension with increases that offset the effects of inflation and can never decrease
- Want their pension to be managed by the local market leader in annuities

GROWTH OBJECTIVE

To maximise growth of the portfolio, and hence increases, subject to the limits imposed by the protection objective.

PROTECTION OBJECTIVE

Once declared, pension increases can never be revoked. Pensions can never decrease.

INCREASE FREQUENCY

Annual, in arrears (default 1 Jan).

FEES AND CHARGES

Capital charge	Ranges from 1% (3.4% PRI) to 1.9% (8% PRI) p.a.
Investment management fee	Approximately 0.75% to 0.85% (incl. VAT) of assets p.a., varying slightly depending on asset allocation and outperformance.
Administration fee	Upfront and renewal fees depending on annuity specifics built into the upfront premium.

FUND SIZE

R14.6 billion (30 June 2019)

MANAGEMENT STYLE

Active

ASSET MANAGER

Old Mutual Investment Group (Pty) Limited (OMIG)

INCEPTION DATE

1993

CONTACT DETAILS OLD MUTUAL CORPORATE

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NOTE

In terms of Financial Services Board Directive 147A.i, Old Mutual is required to define and publicise the principles and practices of financial management (PPFM) that are applied in the management of its discretionary participation business. The PPFM document, as well as a consumer-friendly version specific to Old Mutual Corporate's Guided Growth Fund is available on Old Mutual's website at oldmutual.co.za or can be obtained in hard copy on request. For other regular information on this investment product, please visit Old Mutual's website at oldmutual.co.za.