Old Mutual Asset Management

Strategic Overview

Presented by:

Scott F. Powers
Chief Executive Officer

October 25, 2004

Contents

1. US Market Opportunity
2. Our Strategy for Success
3. Results of Our Approach
4. Financial Position
5. 2005 Strategy
6. Conclusion

(Question & Answer Session)

Scott Powers

Thank you Jim. I have met many of you in the past either in Jo'burg or in Cape Town and a slight few who've made a tour through the US earlier on in the 2001/02 time frame. So for many of you the story that we're going to go through here is going to be something you've heard before, but I think it's probably worth repeating it a bit. I'm also going to try to give you a framework around which we evolve our business, particularly as we evolve our retail business under the Old Mutual brand, and how I see it fitting together with the business that Guy and his colleagues are building on the life side. I think there are some unique opportunities here for us to grow the Old Mutual brand in the United States and become known, as not only one of the finest asset managers in the world, but a group that can provide high quality financial services to financial advisers through asset accumulation into income and lifetime income and protection with the potential for inter generation transfer of wealth - and that's really a unique synergy between the US asset management and US life business. I'm going to spend some time giving those of you who haven't heard me speak before a little bit of a background on the US market opportunity, particularly setting up some things that we're going to be doing as we finish 2004 and enter 2005, and addressing some of the needs we have in the market place and then sharing with you our focus and what we think is our strategy for success as we go forward, and along the way showing some results both on the net cash flow side, the investment performance side, the financial performance and then delving into some strategy for 2005, which is really a build up of what we've done over the last three years.

The charts behind you are a bit small on either side, but I know that everybody has printouts in front. So please refer to the printouts. The US economy and the US markets offer huge opportunities for high quality providers of financial services. Whether they be life insurance assets, mutual fund assets or pension fund assets. As the businesses and the markets have evolved over the last ten

years – there's been an increasing shift both in the growth of the underlying assets but importantly, for firms like ours, in the percentage of growth in those assets that are professionally managed. And so page two gives you some segmentation of the US market comparing two points in time – prior 1993 and 2003 and it shows you there's been a fairly good shift from 39% to 45% that is professionally managed. A good bulk of that is in pension funds, and the other big "slug" is in Mutual funds.

So if you look at the professionally managed assets which total $15.5 (trillion) you'll see the two big slugs, 36% Mutual fund assets and then 27% in retirement plan assets, sprinkled in with endowments and foundations, so you are really closing in on 30%. Then when you look at Mutual funds along with separately managed trusts and estate with broker dealers, you're really at 48% of the market place. We have a fantastic business today in the retirement fund sector. You'll see later on that 87% of our assets under management in US Asset management business with Old Mutual are managed for large institutions. Roughly 13% of our assets under management is in the retail space and that is something we're investing in and we'll talk more about that as we go along.

Today, more than ever, investors have access to a myriad of different information from a variety of different sources. All you have to do is log onto the web to see the explosion in financial information that is available to the average investor. It really kind of started in the early nineties and really took on a life of its own through the bull market bubble, the spectacular bubble of the late nineties and into 2000. I would contend however that, that huge amount of information is actually overwhelming and that increasingly there are more and more investors in the United States looking for high quality advice from a financial advisor (a financial planner) and increasingly the financial advisory community, while still focused around the big wire houses like Merrill Lynch and Smith Barney and UBS, a bigger percentage of the financial advisors are and now in the independent financial planners broker dealers space. That's a significant portion

of the market (a number of brokers) as the chart on page 5 shows. On an asset weighted basis they also command a huge percentage of the overall assets available for investment in the US.

We'll take a step back and look at, just quickly, where we fit relative to the overall institutional asset management business – I mentioned that we have a great business today largely geared toward the institutional business. Our assets under management today – you saw the note – is $168 (billion) dollars. We use as a strapline in our business – the strength of diversity and the power of focus. When we talk about diversity, we talk about the diversification of our business across asset classes between fixed interest, equity, both dollar based and non-dollar based and alternative assets in areas like timber, real estate and absolute return products. And that model has held us in good stead, particularly in the down markets from the end of 2000 to 2002. And then last year, we saw the recovery in the equity markets and you saw a great participation by our business in the upside. So we give downside protection in more volatile markets, yet we still have the ability to participate in the strong up-markets like 2003. Our business is somewhat skewed however, and you'll see this in some later data toward, on the equity side, towards a value orientation. We do not have the kind of exposure in growth up and down the spectrum - large, mid and small - that we would ideally like to have. So we have some holes in our line up and those holes actually create opportunities for us, because you've seen the net cash flow number is on a pretty consistent basis, period in / period out. I think we've had some success. We're pleased. I wouldn't say we're satisfied at this point, we still think there's more to come.

On the next page, page 8, you can see the break down both in 2002 and 2003 in the searches by dollar weighted percentage. If you just look at the light green – Old Mutual green colour – the bright green colour. That's US large cap growth and when you look at both US large cap growth and US large cap core, they represent a fairly significant portion of the overall equity search activity and those

are two areas where we are under-represented relative to our peer group, particularly in the US large cap growth arena. So we have had great success in raising assets on the back of our fixed income business, our value orientated businesses, our international equity businesses and in our alternative businesses, but there's an opportunity here for us to do even more if we can solve some of our product gaps in the growth arena.

We are building a business and we think of it as a journey and journey's start with a first step which we took in 2000. When we bought United Asset Management, recognizing that it was a business that had some flaws. I think the flaws reflected in the purchase price and I know that we can all look back at that point in time and suggest that buying an asset management business in the US in 2000, turned out in retrospect, to be certainly a market top. But when you look at the price we paid relative to other properties that were sold during that period of time, I still contend that it was a fair price for a property at that time that had some real flaws. We have transformed the business as (Jim said), away from a model that was largely categorized by revenue share that had difficulty attracting and retaining talent and that had suffered through some significant under performance relative to peer groups and relative to bench marks and the result was net cash outflows for a number of years. We've turned that corner and the story we tell today, to our clients, to the consultants and to the market place is that we have a unique combination of businesses in the US that build off the strength here in South Africa, the heartland, that are a significant strategic part of Old Mutual's International Strategy, where the 3 legs of the stool that are roughly equal in size start to become a reality when you look at the combination of the US Life business and the US Asset Management business, complimenting the strong businesses that Roddy and Tom, and Bruce and company have here in South Africa. So the US businesses are increasingly a bigger part of the pie and we hope that it continues to be a significant part of the pie through organic growth and potential small acquisitions as we go along. Hopefully it can continue

to be a strong compliment to our South African businesses and towards strategy in the UK.

When I talked to the South African analyst community, I try to draw an analogy to our business because it's somewhat unique when you think about the South African market. We have a business that, for lack of a better term, I would characterize as a collection of Alan Gray type of investment boutiques. Each of our businesses is independent. They operate autonomously. We don't share in research across the group. We don't share in portfolio management. We operate our investment engines as stand-alone, independent, autonomous businesses. Now that being said, we are focused on trying to share resources across the group, eg. best practices in non-investment related platforms leveraging off our distribution synergy. So in short, giving our small to medium size investment boutiques the benefits of being part of $168bn asset management firm and yet at the same time maintaining the focus that each of those firms brings to their own particular niche in the market place and their specialist asset management mandates. When you roll the business all up in its shop total we've got a very nicely diversified business in terms of exposure to fixed interest as a variety different equity styles although I mentioned the underweight position, relative to growth and then international equity. Importantly we have clients that fit across the spectrum of very sophisticated institutional investors, pension funds, some of the biggest and the most sophisticated sub-advisor clients in the world (like Vanguard who hire outside managers to provide a multi manager structure within their firm) and then within the Mutual Fund arena as well. So we've got a nicely diversified business, not only in terms of asset class, but in terms of client segment.

At the end of the day, it's a business that relies on really a couple of key elements to be successful. And these are what we think of as the building blocks to a successful asset management business whether it's in the US, whether it's in the UK, in Europe, or whether it's in South Africa. Our clients pay us to deliver

"out-performance" relative to bench-marks and relative to peer groups. We're not passive managers, we're not index trackers. We are active managers and in many instances, we are aggressively active, offering concentrated portfolios that by design have high tracking on a relative to benchmarks basis. So we are going to take risks in our portfolios. That is part of our strategy. We are going to manage that risk appropriately and deliver hopefully, not only meet but exceed our client's expectations in terms of deliverable, high quality investment performance.

If you're going to do that, you'd better have some talent and the ability to attract and retain the talent in our businesses is critical. I would suggest it's critical in all of our businesses, and as asset managers we have taken some pretty significant steps toward trying to create a culture that allows our investment folks to do just that. Focus on what they do best which is manage client assets. In my experience there is kind of an inverse correlation between bureaucracy and investment talent. If you're going to create a big kind of bureaucratic environment where people spend more time in meetings than they do focusing on researching names and spending time with client portfolios, I would suggest it's going to be pretty tough to keep the best talent. And we consciously strive to create an environment where our talent can do their best work, and that means we need to minimize the non-investment related distractions and a big part of that is operational efficiency and risk management. We'll talk a little bit later about how we're trying to achieve that through the center with Old Mutual Asset Management in Boston.

And then last but not least we have to grow the business. This is particularly important because if you think about the retention and attraction of talent, we converted most of our business, the vast majority of our businesses, away from the old revenue share modeling that UAM favoured to a profit sharing model where the fixed costs of our plant equipment, salary, benefits, etc. are above the line but variable compensation for all of our business executives and importantly

our portfolio management teams is a function of profit share. So growing the business on a prudent and managed basis forward actually increases the compensation pool that is shared by our business executives. So our investment teams know that by growing the business they have an opportunity to grow their compensation base as well. So that growth of asset base to deliver attractive economics isn't just about delivering returns to the shareholders, although that's obviously a big part of our focus, but it's in aligning our shareholder with our investment teams and business teams so we're all striving for the same goal.

Our approach to running these businesses is to maintain the independents at the affiliate level but to build a strong cadre in the center at Boston where we're building a management team that has both depth and breadth across the complex. I'm just going to start from the left for a second.

Most of you know Tim Cumming from his days as CEO OMAM SA. Tim is part of my executive management team focusing on Global Product Development and synergies across Old Mutual from an Asset Management perspective. Working with our colleagues in SA and in the UK and working intensively with my team in the US to try to create synergies between the different businesses. Tim's done a great job of bringing a different perspective to our management team and also in offering real insight into the way our clients think particularly in South Africa.

Dave Bullock, CEO Old Mutual Capital, which we'll talk about in a little bit, is responsible for our newly launched and developing our retail initiative. Dave brings years of experience to the table from Transamerica and before that at GE where he started up, built and ran successful retail distribution strategies.

Kevin Hunt, Chief of Sales and Marketing.

Linda Gibson, our general counsel and head of compliance and risk management.

And Tom Turpin, our Chief Operating Officer, as shown on the screen behind us.

Folks, I'm going to ask you to kind of introduce yourselves and talk a little bit about your responsibilities. I believe that there is a 6 or 7 second lag from a voice stand point. So please keep that in mind.

Kevin Hunt

Good afternoon, this is Kevin Hunt. My responsibilities are marketing, sales and product development. My job on a daily basis is to grow the assets while maintaining high quality products and introducing cutting edge products into the market place.

Tom Turpin

My name is Tom Turpin. I'm the Chief Operating Officer. I joined Old Mutual in April of 2002 along with Kevin. I'm responsible for finance, personnel, technology as well as relationship management with the affiliates. The key objective is clearly to add value to our affiliates and have them take advantage of the size, scale and scope that we are as a $168 (billion) plus asset management firm offer. Things that we would do are to help them with their financial systems. We clearly help them in terms of - from a technology stand point, web posting, web development, centralized back office separately managed accounts. Prior to joining Old Mutual I was previously Managing Director and Head of Defined Contribution Plans at Putnam Investments. During my eight years at Putnam, I also worked as Chief Administrative Officer for Institutional Management, Defined Contribution, and Institutional and Retail businesses. Prior to joining Putnam, I held a variety of leadership positions with the Boston Company, primarily in the Master Trust and Custody Division, from 1982 to 1993. I earned an accounting degree at Assumption College.

Linda Gibson

My name is Linda Gibson and I've been in the financial services industry for about 17 years now focusing on investment management, administration and distribution. I joined UAM actually in April of 2000 just before the Old Mutual acquisition. I'm responsible for the legal, compliance and risk management functions. My focus for this year and into next year is going to be implementing best practices compliance policies and procedures across the complex in conjunction with the new FSB regulations, as well as administering the operational efficiencies in risk management process throughout the group.

Scott Powers

These are just three of the members of my team that I rely on every day, we work in conjunction with the CEOs of the different boutiques to drive over all strategy, to hold ourselves and the business at large, accountable for the results that we deliver to the shareholders and importantly for the results we deliver to our clients. So rather than stand up here for the next hour or so and talk non-stop from the slides, what I thought we could do now given that we have been joined by my team in Boston, is that if we go through the slides, I know there's time for questions and answers at the back end, but if you have any questions that you'd like to address as we go through, please don't hesitate to ask. I'll serve as a traffic cop if you will, and direct questions appropriately to Tom, Kevin and Linda. Or you can ask them directly and they'll also ask them to reply from time to time as we go through the rest of the slides.

Any questions for the team or myself at this point – this junction of the presentation? Okay.

What do you get from this association with Old Mutual Asset Management in the US? What does the client look for from us? What do our affiliates in fact look for from the holding company and how do we portray the business out into the market place.?

What we stand for in other words in the market place is: First and foremost a passion for the investment management business. Each of our boutiques as I mentioned is characterized by their own specialist areas of expertise. And that isn't just because that's what we inherited from UAM to be honest with you. I grew up in the boutique model. I had a lot of experience prior to coming to Old Mutual in working with a large financial services parent in Mellon Corporation. I was part of a value oriented boutique where I started my career and kind of grew up. That was roughly $24 (billion) dollars in assets under management that had multiple product areas between equity fixed international – so I understand the dynamics between the individual boutique and the large financial parent at the holding company level, and what I was always convinced of was that there was a highest probability for success in delivering excess investment performance relative to bench marks if you had a smaller group of folks who were passionate about what they did. They could focus on running money and not on all the other things that go into running the business. So first and foremost is that we're passionate about what we do. Second is that we have easily identifiable transparent and reputable investment processes. That is core to what we do. We don't wake up one day just say "Gee, I think I'll take a flyer at growth stocks today". We've got a very well defined investment philosophy in process at each one of our boutiques. Our interests as a parent are actually aligned with our clients because in the US in particular, where style specific mandates are prevalent, the client hires you to fill a specific niche in their overall planned design and when they hire you as a value manager or a growth manager, they don't want you drifting into the rest of the space because they've hired a corollary to you, on the other side of the equation. We want the managers to stay true to their style and stay disciplined relative to the particular way that they manage money, and the way they tell their clients they manage money.

And then last but not least, is this idea of access to additional resources. Outside of a couple of our firms, notably Dwight and Barrow Hanley (Dwight closing in on

$50 (billion) dollars today and Barrow Hanley closing in on $40 (billion) dollars). Most of our boutiques are relatively small. We have a number of firms that are in the $3 to $5 (billion) dollar range in assets under management and that's a nice business for a small group of investment professionals, but it doesn't necessarily bring the same kind of best practices to the table as you might when you're at $50 (billion) dollars. So we bring significant benefits to those small and medium size boutiques through the investment, technology, services and systems that Tom talked about; and not least of which Linda and her team managing the overall legal compliance and risk management function, ensuring that all of her firms are in compliance. So that's an important part of our strategy and our methodology.

At the end of the day we get measured by our results and the next stage really reflects the overall performance of the asset management business that we manage in the US, relative to both the benchmarks and to the peer group. On the left hand side of the chart in green, is our performance relative to benchmarks. As you can see on a trailing 5 year basis on an asset weighted level, we have 96% of our strategies outperforming on the benchmark. Now that was 91% a year ago. So we're seeing consistent "hold-up" in those numbers and then on a trailing 3 year basis – 84% of our strategies out-perform on the benchmark and that's consistent with the measure of a year ago. On the left hand side, you see a multi-coloured bar chart. That shows our performance relative to our peers and this is measured by one of the large consultants in the United States who tracks every manager relative to their peer group of assets under management and style, in particularly in the style (buyer). So if you're a large value manager they compare you against other large value managers. Then on a trailing 5 year basis, we outperform 87% of our peer group i.e. 87% of our assets outperformed medium managers. And on a trailing 3 year basis that's 80%. Those numbers one year ago on a 5 year basis were 87% and on a 3 year basis were 83%. So we've seen consistency in the delivery of excess

performance, both relative to the benchmarks and relative to the peer groups. That's the basis of the contract we have with our clients.

One of the measurements of success for us are net cash flow, and you've seen the recent numbers on the press release. Also how will we do on an asset weighted basis relative to the market in terms of performance? And we measure ourselves both against our peer group and against the market. On page 18, there's a listing of other managers that have multi-boutique models and how they have measured up over the last year relative to that net cash flow number – so cash flows are taken as a percentage of your beginning of period asset under management; and then your mix of investment portfolios and the results are again measured relative to the market. And as you can see we came out number two in both net cash flow and in terms of our market appreciation in that peer group. That has been a very consistent performance for us relative to that peer group since 2001. So we feel like we're doing a reasonable job relative to our competitive peer group. This is all derived from publicly available information as all those entities are publicly traded.

A big part of that number obviously is net cash flow and Jim mentioned the fact that we have had negative cash flows at UAM before the acquisitions. I don't think until you see it visually you have a real appreciation for it. From 1994 to 2000 when we decided to buy UAM, UAM had had net negative cash flows. What do I mean by that? It means that growth in sales, minus the terminations and client withdrawals was net negative and that was a persistent measurement throughout the greatest bull market of our lifetime so far. Hopefully not mine, I'm going to knock on wood. But at the bottom the last three years, which was really the inverse, it was the top of the bull market. UAM was suffering through on average $18.5 (billion) dollars of net negative. Now we turned that around in 2001 largely thanks to our colleagues US Life. We did the acquisition of F&G and that brought $5 (billion) dollars into our complex. We were positive $4.4 that year. Really that was a net negative $6bn ex-F&G if you think about it. And from

that point forward we have in combination with US Life and organic growth, delivered a very consistent pattern of net cash flow, with this year being a record breaking year.

Kevin Hunt is largely responsible for facilitating net cash flow across our complex. The key element of net cash flow aren't just bringing it in the door on the growth side but it's keeping it in the door on the net side. Kevin would you add anything to the overall picture of the vis-a-vis net cash flow – any particular drivers this year – particularly given our success?

Kevin Hunt

Yes, I would Scott, thank you. I think our success this year has really been driven by the institutional market place. We had great success with a number of our firms and in particular (Arcadian) on the international equity side, getting some very large mandates from some of our larger corporations here in the US. As well, Barrow Hanley, a value manager down in Texas, has had an outstanding year raising dollars. As always Dwight Asset Management has done a very good job of raising dollars not only in the F&G space but out there in the broad market place. We've also this year for the first time launched our own Closed End Fund where we took one of our managers to the market place and made over $360 (million) dollars. That's actually quite an achievement. We're looking forward to driving more of that business going forward.

Question

Scott, can you maybe relative to that graph over the 10 (ten) years give some idea of what's happened to fees and whether you're going to reduce fees in order to grow the flows; and then also just a general comment on the quality and profitability of institutional versus retail and where you'd like to be in terms of the mix. You indicated that you're currently 87/13 – where would you like to be in the longer term?

Answer

Scott Powers

Okay – the quality of the business. I mean, in that process we have not had to drop our fees and you actually see a very consistent experience with us in our assets under management and the average fee. What you did see in particularly in 2002 and 2003 were the overall mix of our business changed. So we had assets under management in the growth equity area declining due to market impact and net cash flow impact; and our assets under management in fixed income – fixed interest and value oriented - increasing and some of that was due to the great growth we had out of the F&G relationship. So what has happened over time is that our mix has changed. The average assets under management as it has grown is (CAGR) at about 12%. The actual basis points that we have derived from our business has shrunk by I think on a sum total of now 1 basis point. Tom, is that about right? We're at about 35 today whereas last year we were at about 36?

Tom Turpin

That's correct Scott.

Scott Powers

Okay, So marginal decrease in terms of overall basis points fees – when you add in transaction fees and performance base fees we've averaged about 41 basis points on the overall business. So that stability, over our overall assets, through a pretty significant transformation in the business, is actually quite gratifying and some piece of that is because we've grown our small mid cap assets and our international assets, as time has gone by, and that's balanced off the shift in fixed income. There's actually some slides later on that show the average margin of retail versus institutional and we'll see the data when we get there but on average the retail business has higher margins than the institutional business. Our mandates tend to be smaller. Our unit trusts and overall mutual funds carry average higher basis points and growth rates (a factor). So that is an attractive

part of the market place to be. Now, I don't want to give you the wrong impression, we're not abandoning this great business we have in the institutional space, but over time I would like us to be more balanced and I have probably stated that in my mind a 70/30 mix between institutional and retail would be a great place for Old Mutual to be. Does that answer your question?

Question

If we go to the previous page. What is the relevance of comparing yourselves to other multi-firm businesses rather than just comparing yourselves to asset managers.

Scott Powers

Yeah. The answer to the first part of it, is that there are a lot of people that don't understand the multi-boutique model and may think that Old Mutual is a bit "daft" in pursuing it. One of the reasons we look at it is just to show you that there are some very high quality firms that are employing the same model and that relative to those folks, we do a pretty nice job. The other thing you should look at and I look at, are we delivering a margin that's competitive to the market place? If you look at our experience in terms of profit margin we've been right at about the industry average in terms of margin.

Question

Second question is: This cash flow graph that you showed. You would be able to work these figures back if you took the current mix of the managers. Do you have that information? What would the graph look like?

Answer

Scott Powers

In any given time period you'd see some that were contributors that are no longer with us but that number I think was in 2002 and Kevin or Tom you can support me on this one. I think in 2002 we had a small incremental advantage for

including all of our managers, because we had a sale of a property that was net cash flow positive, and half through the year we recorded the first half. But beyond that most of the managers that we have sold since that time period were actually net negative contributive to cash flow. Tell me Kevin, do you have any recollection difference on that?

Kevin
That's correct Scott.

Scott Powers
The average assets under management or period ending assets under management 2000 – 2004 September. This is actually indicative of continuing operations which is reflective of the questions. Managers that we disposed of – when you adjust our assets under (management) for those managers, we had roughly $200 (billion) dollars in assets under management when the deal was struck. By the time the deal got closed at the end of 3rd quarter 2000, the number was $178 (billion) dollars. So what you're seeing is a sell-off obviously in 2000/2001/2002 consistent with the bear market. Then a recovery from that point forward in 2003 and then year to date 2004, and that's the combination of obviously market impact and net cash flow. So where the market was down in 2000; and we'll share some of the data and financials with you – when the market was down in 2002 we're actually net cash flow positive adjusted for market and then our performance relative to the market and then net cash flow we had growth relative to the market in 2002 but obviously 2003 when the market took off. But if you look at that kind of trendline from the acquisition where adjusted (134-168) – you're talking about a 5 year 5% CAGR in assets under management despite the huge sell off in the bear market from 2000 to 2002. And if you look at it from 2002, you're looking at a 12% asset under management growth on a CAGR basis. And that obviously reflect through in on the financials.

On page 22 we have the financial performance of the business from $126 (million) in operating income in 2002 and $134 reported last year in 2003. Then you see the first half comparison ’03 to ’04 where we had a significant jump which we’ve reported at the mid year point $87 (million) first half (profits) relative to ’03 of $61m. Then again you see the net cash flow information. That was reported in the interims and I know we are planning on giving a trading up date, November 17th.

Scott Powers

Then page 23 gives you a little more detail in terms of the assets but then it also shows you that market action that I just talked about. So you see, 2002 we were net positive $4 (billion) dollars in net cash flow but the market was a negative $11 (billion) dollars. So that has a significant impact on your business when the market’s down that much. We’d love to see 2003 kind of market action when the market gave us $26 (billion) dollars in net cash or net impact on our assets under management to compliment the $5 (billion) we produced (organically) through net cash flow. But counting on a market being up 30%, that’s a big wild card and so the financial performance of our business just to state the obvious – it’s going to be geared towards the markets. We’ll do our bit delivering good investment performance and delivering net cash flow but if the market gives us a kick in the teeth and we’re down 20%, it’s going to be difficult to continue to grow on a CAGR basis because it’s just too big of a head wind. I think we all recognize that – that’s just the aspect of the financial markets we can’t control.

The other thing we endeavored to do at the half year point was to give you a little more data, and so what page 24 indicates is that the overall business. It is the average assets under management at points in time December 2002, December 2003 and then the interim period of June 2004; and it gives you the assets under management broken into the broad style bench marks that you can use to reflect our overall business mix; and then we also gave you on the left side of the page in that mix the average kind of range of basis points experience we have in those asset classes. So in US value we’re getting between 40 to 50 basis points in

terms of average basis points on assets. You may ask why can't you get a more defined number. And the reality this depends on boutique by boutique, the size of the mandate drives to a significant degree what your pricing is going to be, because if you start at 70 basis points on the first $10 (million) or the first $15 or $20 (million); and then you have sliding fee scale which is typical in the institutional business. $150 (million) dollar mandate is going to have a very different fee schedule to a $25 (million) dollar mandate. So this should give you some kind of range and indication, I stated we're about 35 basis points on average in our business and then when you calculate in transaction and performance fees, we've been able to deliver about 41 basis points to our business on a consistent basis over the last two years.

This is data that was new at the interims – we're committed to continuing to deliver this level of disclosure and I want to make sure that if anybody has any questions relevant to that we can address them now.

Question

Thanks Scott. Just a quick one. You mentioned 41 basis points and that includes transaction and performance fees. Can you just elaborate what transaction fees are – how much of the total that makes up?

Answer

Scott Powers

Particularly in our non-traditional asset classes, transaction fees whether it be in real estate, indoor timber, etc, tend to get booked as a function of a liquidation of a property that was invested in on behalf of a client. So transaction fees tend to be through the sale of a property, the sale of timber etc. Performance based fees are more pervasive across business throughout the different manager's styles where we get paid a performance based fee on top of a base fee. In the institutional business you typically have a base fee that may be somewhat lower, because you have an opportunity to deliver a high performance relative to the

benchmark and get paid on a sliding scale based on that performance. Obviously the other piece of performance base is where we have absolute return strategies in hedge funds, where you get a carry or a performance base fee on the excess return relative to the bench mark. Tom, can you talk about the magnitude of performance base fees on our business over the last couple of years.

Tom Turpin

When you look at an aggregate between transaction fees and performance base fees, it can range anywhere from $25 (million) US dollars up into you know the $40 plus (million) dollar range but typically we end up seeing somewhere around $30 - $35 (million) in terms of transaction and performance fees. The one thing I will add is that it is not something that we totally control. We don't have complete discretion as it relates to some of the real estate properties that we may be disposing of, so therefore it's difficult to predict, with respect to some of the transaction fees, what we'll get (from any year). Performance base fees however, tend to be, not always, but tend to be measured on a rolling basis. So whether you're going to be in the money or out of the money obviously is dependent on investment performance and it's really a forecast which is difficult to do. So whenever somebody asks me to be more definitive about my forecast for performance base fees, and every once in a while Jim Sutcliffe will ask me to do that, I'm always conservative rather than aggressive, because I can't tell you what's going to happen next quarter.

Question

Scott, I see later on you do show average margins for institutional retail. With regards to this break down here, would we see extra disclosure on that at some stage? Because obviously one of your strategies really going forward is to get a better mix in the business and one just wants to get an idea of where that might actually go. Are we talking about average fees? Would there be style differentiates on retail - similar to this type of breakdown?

Answer

Scott Powers

Yeah. There always will be. I mean when you look at international emerging markets, small cap. The more esoteric less efficient asset classes carry with them higher average basis point fees in the retail market just the way they do in the institutional market. So it's just a function of what you're selling with what mix, where you're getting that net cash flow coming into. What I would suggest, and I know this is a hard thing to kind of hear, but, we're just at the start of launching a retail initiative. Trying to be (granular) about how does every incremental dollar have an impact on the market at this point is probably not possible. It is unrealistic because we are actually investing off our income statement and investing in a sense into the build up of that initiative and that is going to be a drag on profits. Certainly there is an investment this year, there's an investment next year and there'll be an investment in 2006 before we start to see incremental profits in 2007.

Question

Scott, you currently underweight US growth – what are you plans to grow that either acquisitively or organically?

Answer

Scott Powers

Yeah. I mean really we're looking at it in a three legged approach. We like three legs at Old Mutual so we're going to be consistent with the three legged strategies. We have existing growth managers that have good skill sets particularly in small cap and mid cap. We've had some success in gathering assets in those areas. We also have large cap growth in certain product areas that are in incubation and are ready to hit the markets. Liberty Ridge Capital has a wide array of growth strategies. Despite the Mutual Fund scandal the investment team there has been cohesive. We've had stability in the investment

team. Particularly in large cap growth lead by Mike Sutton. performance is quite good. So we've got this, what I think of incubation and rehabilitation of our existing managers, who also actively are out in the market place looking at talent that we might bring into the organization to supplement what we already have. Also we're opportunistically looking at acquisitions. If we saw a manager that brought something to the table in large growth, in particular, we'd certainly be interested in talking with them.

Question

Hi Scott. The spreads between growth and value are very different here. Is it the US industry norm or is it because of the retail institutional mix in your growth of mandates?

Answer

Scott Powers

I think it's a combination of things.

1. Our value managers tend to be chunky assets in terms of their assets under management. They're very well known in the institutional space and they get significant discounts because of the size of the assets. So if you bring in, as I said, $150 (million) dollar mandate, down your sliding fee scale – you're going to slide down.

2. Second is yes, it's because we're largely institutionally orientated so you don't see that huge leverage in the value space and then second, where we have a preponderance of growth today, it is in the smaller mid-cap type strategies which can be carried higher in average basis points.

We've seen steady growth in top line revenue combining both revenue and performance and transaction fees and we've been relatively diligent about

keeping our fixed costs in line. Fixed costs are in the 3 to 3½% range and that's the controllable factor.

The flip side is that variable compensation is up when profits are up. That's actually a "happy" problem to have. And the other aspect of that is we have a set number of revenue sharing firms that are out there and when revenue sharing firms book through our P & L, you know the 60% of revenue that goes to the firm, actually we book as variable comps. Because they take 50% of the revenues and then they pay 100% of their expenses with that. So we've had some growth in those revenue sharing firms particularly in 2002 and 2003 PFR a firm that sponsors the Clipper Fund, had significant growth in assets under management at relatively high margins, because it's a Mutual Fund product and that contributed pretty significantly to the variable comp growth.

Question

Yes, can you just run through the firm's affiliates that actually have this revenue share arrangement, presuming it's 50% booked.

Answer

Scott Powers

First Pacific Advisors, Pacific Financial Research and Thomson Horstmann & Bryant are all still on a revenue share plan. All the other firms have either been converted to profit sharing or were in the process of converting to profit sharing.

We're at the stage now where as we start to finish out our year and we look forward to being able to deliver a record breaking year – hopefully, and we're clearly there from a net cash flow standpoint. And I can't make any forward looking statements about profits.

We really start to think at this time of year about, "okay where do we go from here? And what's 2005 going to look like?" And as you look at the strategies for

2005, you have to be very high level about it. Simply, "let's not screw up what we've built over the last 3 years. Let's keep building on that success" and then to expand the retail platform. I'll give you a little bit of a look ahead because I think that there are other things I think we can leverage off within the group, that could be potentially quite attractive to not only Old Mutual Asset Management in the US, but across the group.

The other thing is, we are not trying to "smash" all our firms together in any particular area. We are trying to bring significant synergies to the table from the center so that they can leverage off of that expertise and that skill set and minimize the non-investment related distractions to the firm and I'll just use one example and I'll ask Linda to comment on it. It's every money manager's problem today in the United States. There is an increasingly rigorous regulatory scrutiny we're all going through. Some of it's a reaction to the Mutual Fund trading scandal, but even for institutional managers that have no Mutual Fund exposure at all – the bar has been raised and the reporting is tougher, compliance is tougher and there are things you need to do to satisfy some of the regulatory requirements that small firms aren't necessarily positioned to do. Linda and her team have been working with the affiliates to address just some of those issues. Linda you might want to talk about some of the things we've done in 2004 and as we roll into 2005.

Linda Gibson

Sure Scott, what we've done is we've really tried to leverage our intellectual capital across our firms and we've put together many group conference calls as well as developed an e-world where we can share our policies and procedures across the group enabling each firm to leverage off the experience of the other firms and that's then a very attractive way to comply with a lot of the new regulations that are out there. Many of our firms haven't had the experience in some of the areas that some of the other firms could have had experience in so it's very effective to be able to pull all the firms together to work together to get

really a strong culture of compliance across the group. We've also done some, what we call a culture of compliance / risk management, workshop at firms to help firms in their culture of compliance throughout the organization; from the administrative staff up to CEO – so again it's another tool to help educate our firms on how important compliance is to the Old Mutual group.

Scott Powers

The other thing I would just say to give you a frame of reference. We got our groups together on a regular basis. I get the CEOs together on a discreet basis to talk about business issues. I get the CEOs and the CIOs together to talk about business/investment related issues on a regular basis. Linda also runs a risk management and compliance conference with all the leadership from the firms. We run a combination of finance and technology groups with all leadership from the firms under Tom's leadership; and then importantly Kevin Hunt brings all the sales people together (all the institutional sales people) on a monthly call. Then we go through periodic conferences where we focus on sales training, messaging, best practices, how to do a better job penetrating consultant markets, and best practices in client service. All geared toward both raising more dollars on the fund and then protecting the back end. So when we talk about leveraging the spirit of best practices it's not just a kind of philosophical discussion or academic kind of debate, it's really real time hands on "roll your sleeves up" and we bring people up from the client's side, we bring people in from the consultant's side, particularly with our sales and marketing and client service people and have them tell us what they're looking for. In many instances that combination of things leads to unbelievable business opportunities.

Recently Acadian was announced as a new sub-advisor on the Vanguard platform (Vanguard is the biggest hirer of managers for sub-advisory space in the United States). That was a relationship that evolved off of one of these meetings at a cocktail party out in Arizona where the two enemies get a chance to meet and they followed up; and now Acadian is in the mix for a significant, not only

current assignment, but new cash flows coming off of Vanguard with the marketing muscle and the brand that Vanguard brings to the table. So there's lots and lots of benefits that accrue from this kind of a relationship with the affiliates.

Question

How can you ensure quality across the firms – particularly in risk areas?

Answer

Scott Powers

There are two things we look at. We look at investment quality and then we look at operational efficiency risk management and there are two different pieces of it.

1. I'll ask Linda to talk about in terms of audit and risk management

2. On the other hand, we work with one of the best known consultants in the US, Callan and Associates and they provide us with an overlay over all of our portfolios. We run every portfolio, on a monthly basis, through Callan's attribution systems. Callan works with our investment staff to give us outputs relative to the quality of the underlying product, it's consistency relative to stated objectives, style, style drift, size, and quality factors. There's a whole range of technical measures that we take each of our portfolios through on a monthly basis; and then we do a formal review on a quarterly basis of a preset number of products and we rotate through the cycle. In fact, we've just finished up our annual review with Callan and had a number of affiliates in, to hear that review as we go forward. So from an investment quality stand point we've got a partnership with Callan. Why Callan versus building it ourselves? If Kevin who leads that effort, or I were working with the affiliates and it was "gee, we're seeing you're not doing this in your portfolio" – it quickly turns into a very big brotherish exercise whereas

Callan advises most of the clients or some smattering of clients from every one of the affiliates. So when Callan tells you you've got an issue, you better take it seriously because it's going to bleed into your client base. So rather than have this very confrontational us versus them mentality from the affiliate to the center, Callan really acts as a three way triangle. They help us from an advisory stand point and they can have a very credible message with the affiliates, so that's a big part of it.

3. On an overall enterprise risk, Linda you may want to talk about acquiring Jim Mikolaichik as the head of risk and then also the internal audit process that we go through.

Linda Gibson

Yes, what we've done here at Old Mutual is we've developed what we call "an evaluation family" which consists of internal audits, external audits, mixed management and compliance and what we do there is we all work together in our various areas of expertise to work, as a firm, to ensure that we have adequate control throughout the family. What we've done is we have as Scott mentioned, hired a head of risk management this year who has been experienced in asset management industry. He actually came to us from (Deloitte and Touche) and so far he's been very effective as far as putting together a risk management process for us. Some of the tools that we'll be using going forward and that we've used in the past are getting relative representation from our firms, controlling integrity reviews, quarterly reporting and that kind of thing. We also do on site visits and we utilize internal audit to go out and visit our firms once a year and do comprehensive internal audits that not only comprise the operational risks, but also work into the compliance function as well. Those reports get reported up into the valuation family so we can look at our firms to access the strengths and weaknesses of our firms and make them better going forward. So from a

consulting side of things we have risk management compliance and then from more of a policing stand point, we have the internal audit and the external audit function, so together we feel very confident that our control environment will be robust going forward.

Scott Powers

I really see the benefits in our Life and Asset Management businesses coming together – not only from where we are today where we provide services for US Life through Dwight, Barrow Hanley and through Analytic. We also provide some securities lending capabilities into US Life but the businesses have a natural fit as you think about the exposures we have particularly in the retail market where Guy already has huge exposure and where we're committed to building out our retail platform. Why expand the retail platform? I think we talked about it, there's higher margins than in the institutional business, there's higher growth rates than in the institutional businesses. It's a new source of assets and revenue both for our firms and for Old Mutual. We think there's a great opportunity for growth and to deliver shareholder value. You know that there's the baby boomers bulge. I'm 45 years old today – I was born in 1959. I'm the back end of that bulge. There's a few years after me that is still qualified as the baby boomers but the bulge is the real base of the iceberg, those born after World War II up until 1960 – 1962 time frame. So I'm 45 today and if you fast forward 10 years there's the 55 – 65 group, you look at that demographic, that's when people really start accumulating assets. Up until that point they're buying houses, they're buying cars, they're putting their kids through college. They're spending money. And from 45 – 65 they're running as fast as they can, to save as much money as they can because particularly in the United States, we don't believe that social security is going to be around. I hope that it's around for my mom. That'll be great. I have no confidence that social security is going to add one dime to my income when I've actually retired. So there's really two sources, I can either plough it into my pension fund, my 401K plan, and my qualified plan obligations or I have to start thinking about saving on my non-qualified, non-pension assets and the

preponderance of investors in the United States do that today increasingly on a professionally managed basis. They do it through Mutual Funds. They do it through separately managed accounts which are known as raft plans in the US. They do it through closed end funds and they do it through variable annuity type products because that gives them an extra "kicker" of having a tax advantaged umbrella over the top of a Mutual Fund investment. So if we build out a family of Mutual Funds it's really aimed at capturing that kind of targeted growth rate that's going to really take place in the next 20 years of asset accumulation. Now think about it in conjunction with US Life. Once assets are accumulated at some point they have to start getting turned into income and having an Old Mutual branded partner that can help accumulate, convert the income vis-a-vis annuity, build protection and vis-a-vis death benefits and then facilitate into a generational transfer of wealth is a pretty powerful engine and what we've got right now at Old Mutual, is an opportunity from ground zero because the Old Mutual brand and the US Asset Management Business doesn't have a lot of traction, but Guy and his team have built a pretty good exposure of the Old Mutual Financial Network through 90,000 brokers in the United States. We have an opportunity that with no negative brand value the way many of our big competitors do, to build the Old Mutual brand to be known as a trusted partner to the financial advisor in providing sophisticated solutions for his clients to accumulate assets, to provide income and provide protection. So we think that's a powerful opportunity and we're targeting our retail initiative toward financial advisors, toward the wire houses, toward the independent financial advisors, and original broker dealers that dominate the market place today because we think there's more and more clients that are going to be looking for advice. We have 24 external wholesalers that are out in the field on a geographically disbursed basis calling on those financial advisors in their offices, they're linked up technologically to the home office in Denver, Colorado, to an internal sale force of internal wholesalers that support the externals facilitating enrolment, facilitating you know materials and helping close the gap. All that is the beginning of the Old Mutual Advisors Fund and the Old Mutual Capital Investment Advisors is really going to be heart of our

retail expansion. The Old Mutual Advisors Funds are a new family of funds we just launched. You noted the average margins in retail are better than institutional and that our Mutual Fund allocation is far short of what the average large $100 plus (billion) dollar money manager has in the US, so that I think we can skip the "Why we want to do this" and get into the "How we're going to do this."

We're in the retail space today in the Mutual Fund arena, in the managed account arena and the hedge fund and closed end funds, so this platform gives us a better and more efficient and cohesive way to attack what has to date been a relatively uncoordinated and somewhat scattered retail strategy. And this also allows us to get better traction in that sub-advisory market with folks like Vanguard that I talked about.

But to the "How are we going to do this."

We launched the Old Mutual Capital and the Old Mutual Advisory Fund – literally launching a US Mutual Fund company in 6 months. The whole premise that we're operating under, is that there are very few firms, if any, that have the kind of investment expertise at the boutique level. We have that alpha generating capability and I'm getting kind of tired of the use of the word alpha, but look at the ability to drive excess performance relative to bench mark and relative to peer group. That boutique structure gives us an incredible advantage because it's tough to be all things to all people and we're not trying to be all things to all people. Somebody, I can't remember who it was, was talking about it in South Africa, that there are very few firms that have both growth and value under one shop and when they do the investment consultant community kind of looks at him very skeptically. And that's not unlike the US. Whenever you have a shop that is very, very good at one thing whether it's value equity growth, or equity fixed income, the firm's other kind of capabilities tend to feel like that left-handed-red-headed step child. They don't feel loved. They don't feel the center of the

attention. They don't feel focused. So we've got a collection of firms where everybody is focused on providing a specific area of expertise. Now our challenge is "Can we leverage that into all the different "packagings" that go into the retail space, whether it's a multi-manger fund, a closed end fund, a separately managed account, a variable annuity, or sub-advisory relationship?" We believe the answer to that is "yes". We can and we're going to do that through the Old Mutual Advisor Fund.

We launched the family of asset of allocation funds to start with and I'll tell you why. There are 10,000 mutual funds out there. Dave Bullock who leads the retail initiative is fond of saying "the world is not waiting for another Mutual Fund, the world has not been waiting with baited breath for Old Mutual to come into the US market with a family of Mutual Funds." What the world doesn't have a whole lot of is very, very competitive asset allocation funds and what no-one has done is leverage off of a variety of different investment skills that we have in our boutiques and create a fund of managers as opposed to fund of funds, and the ability to have an overarching asset allocation that's targeted to your risk profiles as an individual; to leverage institutional quality managers in the process; to have an asset allocation overlay done by an independent third party, with a long and deep track record in providing asset allocation services in a fund structure that has in it 16 different investment styles targeted toward your risk profile. Look at the real benefit of this on the pure portfolio asset allocation advantage, fund of managers versus fund of funds. We're not waivering in all the expense ratios of multiple mutual funds with all the admin, we're creating one single fund that has multiple managers underneath the structure. So it's a truly pure allocation – it'll drive more consistent performance over long period of time and it really leverages off of institutional quality money managers for a $2500 investment.

Now for the average retail investor to get the quality of manager we're talking about today he typically has to go up into the last phase, which even with the lowest level plans in the United States is $100,000 investment. So we're giving

the market place access to these institutional quality managers for $2500. This is the first phase of the launch. The next phase is obviously to do the stand alone funds, whether they're multi-manager funds - international or stand alone large value, stand alone large growth, US fixed income, or global fixed income. But this is the launch that we thought would give us the biggest bang for our buck, that would leverage off of the unique structure that we have and help the market place understand what Old Mutual Asset Managers in the United States can bring to the retail investors.

So I skipped through a lot of the rational for Why and particularly Why Asset Allocation Funds, suffice to say the average retail investor acts irrationally. He hasn't participated in the great growth rates of the US equity market for the last 14-15 years specifically because he chases a hot dot (he buys high) and then he has the corresponding performance and the 3 years after tends to be poor. He gets frustrated and he sells at the bottom so he buys high, he sells low and then what does he do? He chases the next "hot dot" - buy high and he goes through the cycle all over again. So his experience in investing in Mutual Funds hasn't been great because he is his own worst enemy. And what we're trying to position along with the financial advisor is a more rational logical way to protect the investor from themselves, from that irrational exuberance and allow them to have a disciplined asset allocation methodology that allows them to create wealth so that they can satisfy those obligations they're going to have because they're going to need money to support themselves in their retirement years. So that's the rationale now for the asset allocations funds.

I'm happy to take a couple of quick questions here before we kind of wrap up.

Question

Can you give us some sort of indication of what the fee structure is to the client from your standard vanilla Mutual Fund through to your Wrap Fund, your fund of

funds and then the product that you are offering just so that we can compare the proposition for the client at the end of the day.

Answer
Scott Powers
I'll talk about the average Mutual Fund and then the Asset Allocation Fund. We're launching A&C class shares that are the lowest class shares. So on the asset allocation fund you're looking at 170 basis points to the client of fee and inside of that you get an 85 to 90 basis points, and sometimes lower on fixed income management fee. The standard Mutual Fund format has a 100 to 120 basis points of fee when you take a stand alone Mutual Fund. Obviously the non-efficient prices of market whether small cap, international, etc. can be slightly higher than that. Kevin Hunt, is that correct on the managed account space?

Kevin Hunt
Currently in that space you getting about 165 basis points charged to client and of that you're getting right now 38 basis points on the large caps up to 41 basis points on the smaller caps mandates.

Scott Powers
And just so we can understand what that is. The wrap business is where the broker – the wire house, the Merrill Lynch will sell a separately managed account to the client, the client gets a variety of different institutional capabilities all pulled together by the wire house – Merrill Lynch does the trading, the wrap, the reporting, etc. and does all the due diligence on the managers, hires the managers and creates the asset allocation. So Merrill Lynch charges its clients, that 160 did you say?

Kevin Hunt
The 165, yes

And then the manager gets back depending on where they are in the spectrum of that 38 – 41 and then closed end funds. Kevin – tell me what the typical fee structures are there.

Kevin Hunt

Typical fee structures there Scott is to the client is going to be anywhere from you know depending on the mandate, anywhere from 100 to 200 basis points and the manager's going to end up with some 80 – 90 basis points of that.

Scott Powers

Does that answer your question, Stewart? Any other question around the retail?

Question

Scott, there's been quite a big move towards the big players in the US Mutual Fund industry following the scandal. You would have had a quite difficult time to launch a brand new brand into the market. What are you doing to try and get that charged?

Answer

Scott Powers

There has been a big move – when you look at net cash flows and you look at the winners, it's been the American Funds, it's been Fidelity, it's been Vanguard. The losers have been those firms that have been touched by scandal whether it's Janus, Putnam, Invesco – particularly in the Mutual Fund arena. As I've mentioned before the Old Mutual brand does not have negative brand kind of cache. It has some brand cache because between Guy's business on the retail side and Life Insurance, and our business on the institutional side, where we've gotten now some credit for developing and tracking the business the way we have, we actually have targeted brand equity. We are not a very well known brand in the United States today, but there's no negative attached to our brand and there have been a number of other foreign insurance companies and

financial services entities – AXA, ING and AGON that have come into the market place, particularly with a targeted approach toward financial advisors and raised a lot of money. So I think that if I had a negative brand that was pretty messed about in the market place I'd have real reservations about spending money. Given that we don't have a negative brand, in fact we have a positive brand that we can build off of – I don't think that that's a negative at this point in time.

Question

Just on the context of what you've just said. How does Pilgrim Baxter affect you in that regard?

Answer

Scott Powers

You know, we've renamed the advisor Liberty Ridge Capital. It's obviously a negative and part of moving forward was getting rid of the guys that did the bad things, and putting the reforms in place in that business. I'll tell you that of all the settlements that I read from the SEC there was only one in which Elliot Spitzer actually identified the management team and kind of singled them out for their co-operation and their working with them and that was the management team at Pilgrim Baxter and Associates. So we move forward. We've got that behind us. Those guys are gone. We've settled the fee issues, and we've put lots of reforms in place, I'd be naïve if I told you that that was a great brand. Which is why we changed the name, and we will continue to move forward with our retail platform, putting more distance between that and us as we go forward.

Question

Does that mean to say that those funds are just going to "wind" down – is that your intention?

Answer

Those funds are in the no-load space today. So they're in the "supermarkets". The Schwab and the fidelity platforms and they can be purchased through fee based advisors, etc. and they continue to have the PBHG fund name on them today. PBHG doesn't have a lot of brand value. We're not prepared to make any announcements at this stage. I think there's a place in our retail platform as we go forward, for no-load funds positioned in those supermarket platforms, serving the defined contribution place. They are profitable funds today and they continue to be part of our plan.

One thought to leave you with is alternative. John and his team in the UK has done a great job of developing an alternative investment business. They have a series of hedge funds that are award winning in their own right in a variety of different asset classes. They're launching more as we go forward. We've got billions in hedge funds in alternative assets under management in the US.

The South African business makes a fairly robust use of alternatives, absolute returns, and fund of fund strategies here in SA. These are incredibly exciting products that carry with them some risks and we need to make sure that we are not outside the mainstream of the financial services industry when it comes to hedge funds. We're in the business today, I think there's going to be an increasing number of people who are looking at alternatives and looking at absolute return strategies and hedge fund strategies for the same reasons I talked about the demographic of the baby boomer : the endowment foundation plans in the United States where leading lights like Harvard and Yale have long made use of alternatives up to 25% - 30% of their portfolios because they know they have spending rules that aren't tied to relevant returns. They need to support their outreach and support their foundations and spend 5% - 6% of their assets on any given year. So they've long ago shifted to absolute returns to meet those very finance spending needs.

When you think about it, whether it's a pension fund, an endowment, a foundation or a household – we all have finance spending needs that we're going to have as we go forward.

The hedge funds are not the future, we are in them today, the pricing on hedge funds with 1% fees and 20% carry can be transformational for a business and so every opportunity to grow our margin must be utilised. If we expand in the higher growth segment like retail, our hedge funds are just that, they are higher growth, higher margin business that we are already in today, so we are now doing kind of more intellectual space work if you will, to determine just what we should be doing in the hedge fund world, how we should be doing it, trying to see if there are synergies across Old Mutual as an entity in the UK, SA and the USA. And we are going to be very thoughtful as we go forward about how we want to build the brand that we have in the alternative space.

And I would again offer my congratulations to the UK team, they have clearly been at the front-end of this, on the cutting edge in terms of product instructions. We are giving it a lot of thought. Its one of the area where Tim Cumming has been working pretty extensively between SA, UK and US in helping us think through our alternative, no pun intended, in the alternative space. So that's the end of my comments. I know we took questions throughout so I hope that satisfied everybody.

Question

No definitely, If you go back to that slide on the industry comparisons, now ok, Mellon had very good AUM growth because the equity bias. Now my question would be: How would you rate OMAM US relative to AGM for example.

Answer

Yeah, for those of you who don't know the Affiliates Managers Group, led by a colleague of mine at the Boston Company, they have a multi boutique strategy

much like ours, with the differences they tend to have smaller to medium size managers, they are all a 100% equity biased and they don't have any meaningful fixed income or alternatives space; so with the equity market screaming the way it was in 2003, there is nobody on that comp page that is going to match AMG, they just have significant growth rate. They also have a fairly high preponderance of performance basis built into their model and I am not telling you everything that is not public record. So when they are fixing the cycle they can show huge leverage in the business.

When you look at their performance in a down market it got a little bit shielded by the fact that they were actively doing acquisitions in the down market which is a good indication that they have a smart management team because that's when prices are more attractive. So in actual fact we held up better in the down market because of the growth through acquisition as opposed to the pure organic market related actions. For when you net out the acquisitions and you look at the underlying equity exposure they were participating fully in the downside, the way I likely characterize it, so I think they are two different business, that's a great business, they have got a lot of leverage in positively sloped markets. In volatile markets and/or flat markets, having a more diversified underlying portfolio of managers, to me makes more sense and I feel more comfortable with that. Does that answer your question? No? What did I miss?

Question

The question is more for the valuation perspective in that US asset managers trade at quite high multiples compared to what we see here. I think that AMG's trading by 16.17 times earnings. Now, I am just trying to think here you know would that be a fair type of rating if OMAM was listed on its own –

Answer

I think that is a reasonable multiple in the US for that kind of model on a stand alone basis, obviously we trade within the PLC share. I think most of you who

have done some of the work on a piece part basis have pulled the businesses out and looked at them on a comps basis and I have seen a lot of your work and I think many of you have taken that same approach, so do I think it is a fair multiple or a fair way to value, yes. Do I look at our business as part of Old Mutual and think about how contributes to a third, a third, a third? I think there is more leverage and more synergy and more long time earnings power from that combination than there is of OMAM US kind of standing alone on its own.

Question

One which is more for my own interest than anything else, and that is why your estimated current management fees for non US – Equities is lower than US equities? I would have thought anything that is not denominated in dollars would probably command a premium for the US investor right now. The second question is just on the new product, the asset allocation products that you are offering. As I understand it there is a daily asset allocation rebalancing on the cash equity bond position done by Ibbotson, and there are I guess four different risk models or four different underlying products – Could you explain – those products a little bit more, as I understand it I guess a more conservative product would not only have a more conservative asset allocation, but within the equities space the underlying equities would presumably be more conservatively struck as well.

Scott Powers

Yes, first to the range of the outcomes on financials which I am trying to think which page that's on, 24, okay thanks. This isn't our estimate of basis points as we go forward, this is more the range that we currently have from experienced standpoints – When you look at non US of 35 to 45 and then you get US 45 to 55 etc. Our two managers in the non US space include Clay Findlay & Associates. Both those managers have a fairly significant slug of sub-advisory assets and when you are in the sub-advisory space you are taking a haircut on your competitive fees because you are leveraging off of a relationship where

somebody else does the heavy lifting in terms of asset gathering, client retention, client service, etc. So those can be very profitable pieces of business because you don't have all that excess cost associated with them. So our experience in that space today is in the 35 to 45 basis point range but that then is then coloured a little bit by some big slugs of sub-advisory assets. I don't expect that as we go forward that is the fee rate we'll get, and in fact this year through Acadia we are getting significant higher rates.

As to the Old Mutual Advisor Funds, the asset allocation methodology overlays a set of managers, now the conservative balanced, moderate and growth funds leverage the same managers in some different weights obviously in some cases for instance the difference between the balance, conservative model and the growth model, you probably wouldn't have global fixed income. Some of the more esoteric international small cap, emerging markets that you'd have in the growth portfolio that you wouldn't have in the conservative portfolio. But by and large the underlying managers in the 16 different investment styles are shares from conservative to a balanced to a moderate to growth. The overlay happens kind of adjusted for a risk and if you and I were sitting down today and I was your financial advisor we would go through a comprehensive kind of check list of your appetite for risk, your overall asset allocation today, what you are spending needs are, what your current income is, etc. and we would map out with a questionnaire, a formalized process that target US as a risk profile and that would map into your allocation. Whether it be conservative or growth, so you would get a portfolio that was then rebalanced every day typically using cash flow by Ibbotson and again Ibbotson is not trying to jitter the thing every day because that generates transaction costs which then can be detrimental to total return. Their asset allocation moves tend to be more glacial but they do look at the portfolios every day and rebalance; and they use cash flow on a daily basis so it is not as, if as an investor, you are in a fund where you are getting a single mutual fund where you have the impact of other investors with different profiles. If you are a conservative investor then you are in a conservative fund and you

are aligned with other long term shareholders in that fund, so as assets come in we use the cash flow to do the rebalancing first and foremost.

Question

And question if it would have more conservative allocation within the equity portion of the portfolio those equities would typically be more value than growth, if that is viewed to be slightly more defensive?

Scott Powers

Yeah. You would have cash, you would have more fixed income, you might have more income producing securities like real estate investment trusts and clearly in the equity allocation you would have more conservative lower volatility, lower tracking error, equity strategies, as opposed to some of the more esoteric. That is correct.

Question

Scott, can you give us some idea of what costs is being built up in this asset allocation type of business and where your break even point is?

Scott Powers

The costs that we articulated in 2004 were roughly 10 million dollars in cost. We spent a little shy of that because we didn't lodge the allocation funds and the initiative until later in the year because we were intent on getting through the issue with the regulators. There is an additional cost in 2005 that is likely to be similar. The profitability is really going to become a function of that asset gathering. We have done a pretty good job over the years of not identifying the individual net cash flows per affiliate or per initiative and I am not going to share with you our near term goals. I would encourage you to look at this thing on a glacial basis. We're just starting out, we have got less than a month under our belt today, so the next question is going to come out what is your net cash flow to date? We are trying to build this thing as we go and I think what we are

envisaging is really 2 and a half years build depending on the market. If markets kick off and we got some hot dots that brings us a lot of assets, it will be profitable shorter than that, but the realistic assumption here is that this is going to be a build that is going to take 18 to 24 months before it starts to generate significant profits.

Question

Scott, in your own budgets, what sort of long term forecasts are you guys looking for for bond returns, equity returns and cash? Give us some insight to your thoughts on the US market for the next 5 to 10 years.

Tom, you can either correct me if I am wrong but I will confirm it that we use for 2005 assumptions for a 5% in equity markets and that is a blend of non US, etc. We tend to be more conservative and then I think in fixed income what we use is 3½ to 4% total return.

Tom Turpin

We use the 4% total return out of the bond market.

Question

So you mention that's for 2005, what are your long term forecasts?

Scott Powers

We all take short term aberrations, like this year we assumed zero market. We are going to be awfully good predictors by the end of it, but any short term aberrations on a year to year basis is just that. On a trend line basis we are typically thinking the same way. So a 5% equity market and depending on an interest rate outlook a 3½ - 4½ bond market. And there's no science to as you could probably figure out.

If I had the Analytic global tactical allocation model it would give you the expected return of all the different asset classes, I guarantee, it doesn't match up to our budget assumptions. Johnny has another question I think.

Question

Scott, could you just maybe take us through the variable comp line in a bit more detail, obviously in there is the revenue sharing agreement for the 3 firms that you've mentioned, but in the past you used to have funny things like the Pilgrim Baxter equity plan. I presume a lot of those are under water, I'm just trying to get a feel for how you are compensating your managers. Is that a function of lets say a percentage of the pre bearable compensation, etc. etc.

Scott Powers

Yeah, there's a variety of different pieces of that line. As I mentioned the dominant pieces are profit sharing for our firms and then the revenue share of the revenue sharing firms. Now when you mentioned the stock appreciation rights (the phantom stock). Tom, you're going to help me out with this one, but all those were structures that were built upon acquisition, so they were priced into the original price of UAM, and thus rolled into goodwill as part of the original purchase price so all those programs, whether they're under water or in the money get netted against the carrying value and the goodwill in the business and don't necessarily show up in that variable comp. Tom, is that a fair assessment?

Tom Turpin

That's an accurate assessment Scott.

Question

Okay, but on the revenue share side, the sort of average you said is about 50% of the revenue that they keep?

Scott Powers

Yes, in fact it's a little less than that.

Question

Okay, but on the profit share side how much of a profit did the remaining 17 finish in?

Scott Powers

It ranges from 25 to 30. As a typical model, and then there are some tickers to that with certain firms, for growth rates that are better than the norm, if they're 25 today then they can get up to about 30 by showing some range. So they tend to be the smaller firms that we would like to grow a little faster, they're not going to have a big impact on the variable compart.

Tom, could you give us the split between profit share, revenue share and now the performance fees over the last, I know it will obviously vary, but over the last couple of years as an average.

Tom Turpin

It does vary, I think the highest share we have with any affiliate on a performance base is 50% and that isn't uniform for every firm that's kind of an assessment.

Scott Powers

And that by the way just that will go in cycles, in 2002/ 2003 certain firms were hot, they happened to be revenue sharing firms so they made up a big part of that variable comp kick 2004 for instance, we're getting a very balanced contribution to both net cash flow profits from across the complex so what seemed like something to point at in 2002/2003, and say hmm, why is that, turns into something that when you look at it over a full cycle these things tend to normalize themselves out.

Any other questions?

Question

You mentioned earlier that part of the reason or rationale for having all the affiliates, is that you can share the load, you can actually get a scale in a sense and leverage off that. Do you think that given the raft of legislation that's going to be coming through that this will actually force some of the smaller companies to consider consolidation, and would that provide you opportunities perhaps to acquire some firms and bring them into your fold?

Scott Powers

Yeah, let me be clear, because the real rationale for the number of firms we have and the level of diversification we have, is driven by a number of different business issues, its not some magic number, now, its not like 19 and 20 is the right number and 17 is the wrong number. Philosophically I wanted to make sure that in the large asset classes that gather assets, and you saw the chart that showed the net search 2002/2003, if you look at the big buckets, its large growth, large value and large core, fixed income international equity, in each of those major asset classes, I wanted to have exposure and importantly I didn't want to have single manager exposure because if one manager under-performs, if you only have one, and they're under performing and it happens to be the year when large cores are in vogue, you're going to be out of the mix from an asset gathering standpoint. So we have diversification in each of those big buckets, for a reason, and the managers are not right on top of each other, in an ideal world they'd have the same style exposure, but slightly differentiating ways to get at things, so diversification in terms of the overall asset class exposure and the ability to capture net cash flows is important. The other aspect of this is that when you get into a less efficient segments of the market: small-cap, mid-cap, emerging markets – your ability to gather assets is a function of how scalable that investment strategy is, i.e. if I'm going to be in small-cap names, and I'm going run up a billion dollars or two billion dollars, expect to become a function

from a position of from a risk standpoint, what's the average daily volume of the liquidity of that individual company that I'm willing to take from a risk standpoint before I have to start scaling back, because I can't get out of the name, and its easy to buy, you never have a problem when you're buying into low cap names, it's when you're trying to get out and everybody else trying to get out and there's no liquidity, and I've seen so many managers over-do the capacity issue on small cap and then the results are disastrous, they either have lousy performance, they generate significant reputational risk or they implode. So our approach to small cap hasn't been to try to put all our eggs in one basket because I have an objective here to deliver the shareholders a 12% return, and to do that I need to gather assets, not only gather assets, but I need to gather assets at the right price at the right margin. So if I need to improve our blend and our mix, I didn't want to be in a position where I was telling one of our small-cap managers, yes you think capacity is $5 (billion), but we think its 3 because we need to grow toward our 12%. So we've got a basket of small capitalization and mid-capitalization companies that provide that service rather than try and have all our bets in just a couple. So we have a broader number because of that. So those are the real drivers to this thing. The idea that we can create economies of scale, I think we can, but I think that basically gets us back to even given the multi-boutique structure, I've always said, I thought we can run this business at or a couple of ticks better than industry average from a margin standpoint. I still think that's true, but I don't think we're ever going to be a low-cost provider of infrastructure and driving, you know, significantly better profit margins than the industry given this model, so I don't think that's the case, I do believe, however, that there are a lot of small to medium sized managers that first, distribution is getting more expensive its tougher to get shelf space, its tougher to do without a significant investment into infrastructure, and second, the regulatory environment that Linda talked about, and the onerous kind of burden of compliance, is certainly creating risk for small to medium sized managers, and so those two things quash the idea that generational recapitalization of these firms it's always the case when founding fathers are trying to pass the value over to the next

generation creates opportunity, so those three things I think are the most typical drivers to why a firm would want to sell itself to a large financial services orientated parent. Does that answer your question?

Question

Just in terms of what you said, could you just give us an idea of how the costs have changed from the increased level of compliance that we've had to endure and how that's likely to continue to change, I mean you could actually go a bit further and state your cost base at your core entity, your holding of a corporate level. Can you just give us an idea of the costs there, and are they going to change as well?

Scott Powers

Yeah, I think that it's important to look at the trend, I mean when I took over the business in 2001 we had a cost base at the home office in Boston, post the transaction of 55 million dollars. Now, going into 2002, I thought that we were going to have tough markets, but I didn't think they were going to be as tough as 2002 was. We had forecast a reduction from 55 to 30 million dollars from '01 to '02, we actually cut further in the back half of '02 and ended up with a 25 million dollar cost to base in full year 2002. As we've grown the business and we've invested now, I took costs down from 55 to 25, headcount down by over 30% and then I have re-built 18, that I think has a lot of credibility and is adding a lot of value to the business, and you're right, those people don't come for nothing, so we have reinvested in the business and we're now running at about a 30 million dollar headcount, I mean cost rate, at the home office. Now that does not necessarily mean that we have to have that kind of magnitude jump again, in any given calendar year. So we're trying to be very, very prudent about the cost base. As far as the costs of compliance, Linda there are a lot of industries out there with prognosis of what its going to add in terms of overall costs, but a lot of that data has come from making assumptions about what's going to happen with soft dollars, what's going to happen with all the proposals that are out at the SEC

today. There's a whole series of proposals that may or may not get enacted so it's a hard thing to kind of suggest that we're going now see a 3 or 4 or 5 percent diminution in margin because of increased compliance. But there's certainly been a cost, and Linda I don't know if you've got a number that is kind of bandied about in the market place, or Tom?

Linda Gibson

No Scott, I don't have a number, I mean what we are seeing is that the sort of supply and demand of compliance officers is pushing the compensation of compliance officers up and every firm is now required to have a dedicated compliance officer that in essence doesn't wear a multiple hat, so you're going to see increased costs in your compliance and risk personnel, as well as in your internal audit function, with additional reporting as well. So all of those things are going to drive costs up. It's very difficult at this time to quantify the exact increase in expense across the organization.

Question

Those compliance costs you see increasing could you not put an exact number on. In terms of 2004, the 30 million run rate that you're referring to, that includes most of the compliance staff I presume?

Linda Gibson

No, its actually with any thing we do, there are two pieces to it – there's what we're doing at the home office which is built into that $30 million-ish number, and then every affiliate has an obligation as an investment advisor a registered investment advisor to provide for compliance and that is a big part of the puzzle as well, so I think the key for us is that this is a complicated model, trying to process it and slice it and dice it when its multi-dimensional. The thing to flip back on is, are we running a margin on an overall basis that is competitive in the industry? And we are running a margin at, you know, 26/27 percent, when you came to 2003. McKinsey and McClaughlin do a whole bunch of surveys, there

were some pretty robust data that McKinsey delivered on 2003 that showed industry margins were 25-26%.

So we're right at the margins in the US Asset Management Business and that's with our mix of institutional and retail.

Question

I guess the question is not so much specific to Old Mutual but more specific to the industry, in the event that cash returns turn out to be 3%, fixed income to 3 ½ to 4 ½, and equity returns, 5% – are the current level of fees being levied to clients within the industry, specific – well both institutional and retail, but more particularly on the retail side, are they sustainable going forward, I mean is that a value proposition to clients whereby the risk adjusted return after fees is in fact still attractive?

Scott Powers

Kevin, you might want to talk about that, relative to, Kevin spent the best part of 15 years at Morgan Stanley, running – starting and then running their managed account business, their wealth of managed account business, but also overseeing their alternative investment business Greystone, and a big part of Morgan Stanleys push into the managed account space was to try to get into a space that could be more solutions driven for the client, and a part of that was the alternative space, so, Kevin can comment a little bit on the perspective from a wealth management perspective, I'll talk a little bit about institutional and over arching kind of retail. Kevin.

Kevin Hunt

Thanks Scott. One of the trends that happened as Scott pointed this out is that there is a premium for advice and the advice distribution channel was dominated by really a handful of firms. Firms are charging a premium to play in their distribution channel, so on the separately managed account side you've seen are

the average client fee go down from basically 240 basis points 10 years ago to 165 basis points now, you've seen what the managers get paid went from 50 basis points down to as low 30 basis points. So you see the trend downward, I think, really you are at a point now where there's not much of a squeeze downward in that particular business, but you will continue to see a squeeze in the retail side in distribution channels that are controlled via the major wire houses – outside the wire houses, there is substantial growth amount - the registered investment advisors and that is a channel, targeted on a intermediate and longer term basis, where you can get a higher margin, so our strategy going forward? I think it's a great question, there will be compression, I think it will be a little more modest than it has been over the course of the last 5 or 10 years but we feel our value proposition of bringing these managers together and packaging them in the asset allocation funds, will give us a premium and will allow us to offer something of differential in that market place, as well having the large distribution organization, makes us a preferred partner of many of these distribution organizations and again long term, that gives us some stability in our pricing and it allows us again to be more prominent in the asset gathering side as firms out there such as Morgan Stanley and Merrill Lynch would prefer to deal with a few groups that can allow them to point towards multi-channels in terms of open end funds, closed end funds, separately managed accounts and possibly at a point in the future toward alternatives.

Scott

But your point in general, lets just kind of frame it out, if we went through an extended period of low single digit returns and the average Mutual fund investor was paying 100 – 120 basis points, that is clearly going to become a bigger point of discussion, I think the bigger issue is, and we saw this in 2000/2001/2002, where forget about low single digit returns, those would have been great, we're talking about significant negative returns and you're paying 1-1 ½ to get relative returns that might be okay, but you can't spend relative returns at the grocery store. So I think this is really going to be a function of the markets, and what I

saw happening in 2001 / 2002, before the turn in 2003, people very, very willing to pay 1 and 20 to get an absolute return strategy that's focused around kind of (libor plus) then in a great return would have given you a kind of limited upside but protected you on the downside – so the propensity in 1 and 20 in just a straight stand alone hedge product, you're going to the fund of hedged funds where the underlying manager gets his 1 in 20, then the fund of hedge funds provider gets an incremental 1 plus 5, you're in for 2 and 25 – so the investors propensity and willingness to pay a premium for a different outcome than kind of relative return has been demonstrated, so their willingness to pay for positive returns, albeit, low positive relative returns. You know, I don't see how that changes dramatically if you take the hedge fund example as an example, if they are willing to pay because they're not going to lose 20% - would they be willing to pay if they were only going to be in a band of negative 2 to plus 5? I don't think so. So the answer is, in my own mind, if we see an extended period of either down markets and or low absolute returns with low volatility, yeah, there'll be pressure, it'll be compression, it has to be.

Question

Just to follow up on that now, if there is a sort of a squeeze on what the clients' willing to pay, is it the distributor or is it you who is going to pay the brunt of that?

Scott Powers

Well, we talk about that all the time. And Kevin spoke at the industry conference recently (Kevin was named by the money management institute which runs and oversees all the separately managed accounts, Kevin was recently honored as a pioneer in that industry), and he spoke at their conference, and we're very, very strong advocates of the idea that if Merrill Lynch or Smith Barney, UBS or Morgan Stanley want to leverage their clients' experience into the institutional money management space then they're doing so in order to keep the client from going some place else first, and you can cut the prices to the managers and you can do it more aggressively than they've done it, at which point the managers

who are high quality managers are going to become price takers not price makers, and if you're a high quality manager and Merrill Lynch says to you okay, you're not getting 38 anymore you're getting 30 – and I can get 50 in the institutional market place and I can get 60 in a retail mutual fund market place, and I can get, you know, 48 or 50 in a closed end fund and I'm going to go to the separate accounts space with Merrill Lynch with all the service requirements, with all the kind of hand-holding you have to do for 30 basis points – I'm not going to – I'm going to walk away. Because I have other avenues for my assets to be sold, what Merrill Lynch will end up with – no offence to Merrill Lynch, but what that broker will end up with is a mediocre roster of managers that they'll mix and match on mediocre basis and they'll give a poor return to their clients and they'll lose market share. So these guys aren't stupid, they are going to try to squeeze the manufacturers as much as they can, because they ultimately own the client. So the distributor has been gaining a disproportionate share of the wallet at the expense of the manager, but there is only so far you can go before the manager says - okay, done! Find somebody else – so the distributors have said, what's their breaking point – and they'll push you right to the breaking point – I guarantee it.

As well, I think the model may change where it almost becomes an institutional pricing where there is a performance kicker for better managers and that was one of the points discussed at the recent conference.

Question

My follow up question would have been again, are these particular wire houses, are they becoming more important in the distribution channel overall, or are they becoming less important, are the independents taking market share?

Scott Powers

They're important, they're very, very important because they're the 800lb gorilla that controls a significant portion of the assets, but when you look at the trend

line, and I started out in this business as a retail broker at Dean Whitter, when you look at the trend line, it was in the first couple of pages in the presentation, look at the number of financial advisors, there's 30% that are now a part of the major wire houses, and almost 50% that are independent so as people get along in their career, early on Dean Whitter, Morgan Stanley, UBS, Merrill – that name means a lot more than they do – but as somebody builds their book and builds their clientele, an LPL or American Express or AG Edwards is willing to give me twice the payout, now in the age of technology, a lot of the services that I get from the major wire houses. Increasingly that financial advisor loyalty to the major wire houses becomes a thing of the past. So, yes, they're very, very important, they're incredibly important clients to us, and we'd never want to lose that connection from a distribution stand point, but you can't ignore the growing number of independent advisors as well. But I think that there's a balance, and I think that's the other thing that mitigates the big wire houses from taking the club and beating everybody with it.

Question

Scott, I just want to get back to the cost of your home office as you call it, is there any way that you get measured on the value that you add to the Group, and if you do add value to the underlying companies, should they not be willing to pay for that value?

Yes, is there a way to get measured. Jerry Kenny from Merrill Lynch again, I'm going to use Merrill Lynch again because they're great examples and they're leaders in that space. Jerry Kenny is the Vice Chairman of Merrill Lynch that covers the Asset Management industry, that typically looks at financial services, entities or holding companies and home offices as it relates to it. Basically, to give you kind of a thumb nail, there's no science to this, but he'd say that your 5% of assets, or rather revenues, allocated to home office costs, then you're probably doing okay, and then if you're incrementally adding distribution, risk management, infrastructure as a buffer for the parent company, then it can be

bigger. We look at it in the context that there are certain functions that we break down that are simply required for a PLC. So, we have got to have finance functions that can consolidate the different P & Ls from the different entities, scrub the data, go through the US GAAP accounting, convert to UK GAAP accounting and provide the data so PLC can supply the data with confidence and assurances to you. I'm sure there are certain elements that are just non-starters, we have to do certain things, audit, risk management, those all go into the reputational risk bucket, what we tend to take on the other side is we look at every kind of pocket of expense and ask our selves if it's either a requirement, is it mitigating risk, or is it adding value? So where we look at adding expense, it'll be along the lines of, can we bring somebody in to call on the consultant market place to position product and or retain assets better, and then how we metric, what are the metric around that position vis-à-vis the industry, are we doing a good job in that position? I wish I could tell you here is the metric of cost ratios for multi-boutique holding companies in the US and here's how we're measuring up against it, that would quite frankly would make my job a lot easier, but that doesn't exist. But we do think that way, we look at everything from a zero based budget and ask ourselves do we need to spend that dollar. And if we're going to spend that dollar, where do we best spend it, what's going to give us the biggest bang for our bucks?