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# Old Mutual South Africa Delivering high returns and growth

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# Disclaimer

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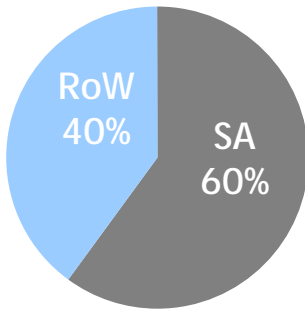
# Building a premier international savings & wealth management group

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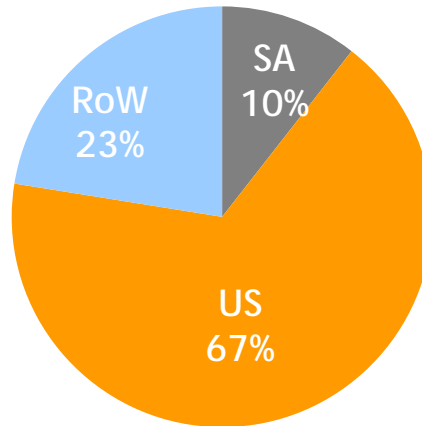
- Asset Management is the core of Old Mutual
- We have consistently produced excellent investment performance
- We have a leading position in open architecture platforms in the UK
  - Powerful brand franchises in South Africa and Sweden
  - Fast growing businesses in Asia, US and around Europe
- Underpinned by a robust capital base

# Growing funds under management, internationally

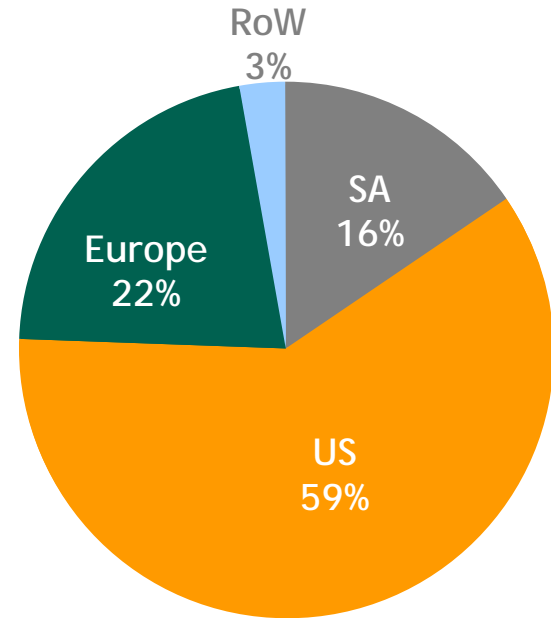
FUM 31 Dec 1999  
£45bn



FUM 31 Dec 2001  
£143bn



FUM 30 Jun 2007  
£263bn



FUM 31 Dec 2008

➔ **£300bn**

# Asset management business model

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## ■ Simple business model

- $(\text{Assets} \times \text{Margin}) - \text{Expenses} = \text{Pre tax profit}$
- Pre tax profit averages 50 - 55bps
- £15 billion assets = 1p EPS

## ■ Target margins are structured to deliver 15% Group RoE

## ■ Net client cash flow has been double industry average

- FY'05: £13bn (9% of opening FUM)
- FY'06: £22bn (12% of opening FUM)
- H1'07: £12bn (10% of opening FUM)

# Old Mutual South Africa - developing from a traditional life insurer to a premier wealth manager

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- Asset management is the core part of our business
- We have powerful distribution and a great brand to collect assets - and we will keep growing the distribution
- We have a powerful cash engine in our traditional book
- We have disciplined cost reduction programmes to support the transition

# Multi boutique asset management model - similar to US

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A Member of the  OLD MUTUAL Investment Group



A Member of the  OLD MUTUAL Investment Group

# Boutique model drives investment performance

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## ■ Boutique

- Focus on investment process
  - Stay true to style/class
- Management focus on service of clients
- Alignment with shareholders through profit share pools
- Alignment with clients through co-investment and performance fee structures

## ■ Central menu

- Equity, Economic and Credit Research
- IT support, trading platforms, operations, benefit plans, legal support
- Compliance and Risk management standards obligatory

## ■ Sales and distribution

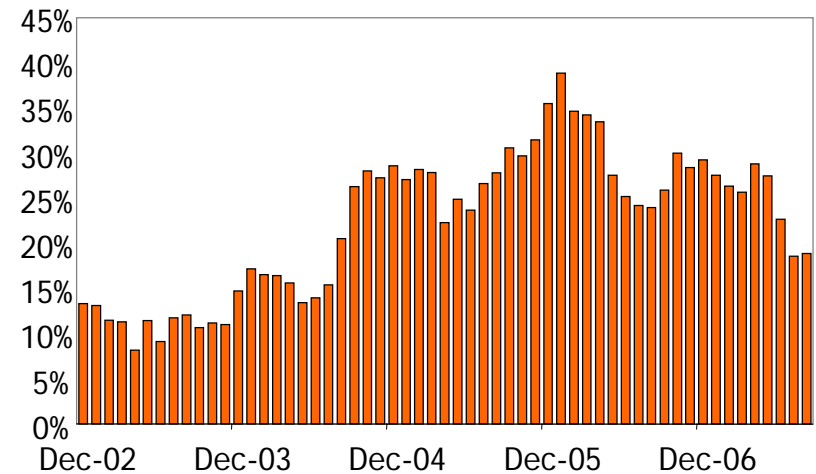
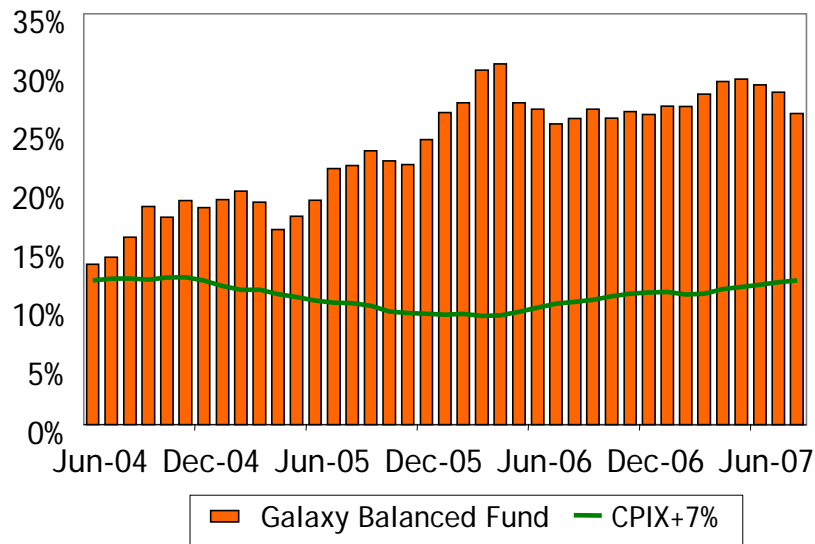
- Consultant relationships and key account management on a firm wide basis
- Retail/mutual fund platform distribution



# Our multi-manager boutique - SYm|mETRY

- R25bn funds under management
  - Own money invested alongside client funds
- 1<sup>st</sup> Multi-manager to win a Raging Bull award against single managers
- 7 S&P Awards against single managers

Symmetry Absolute Return - 3 yr returns > CPIX + 7% ... and no negative returns over any 18mth period



# Specialist equity boutiques

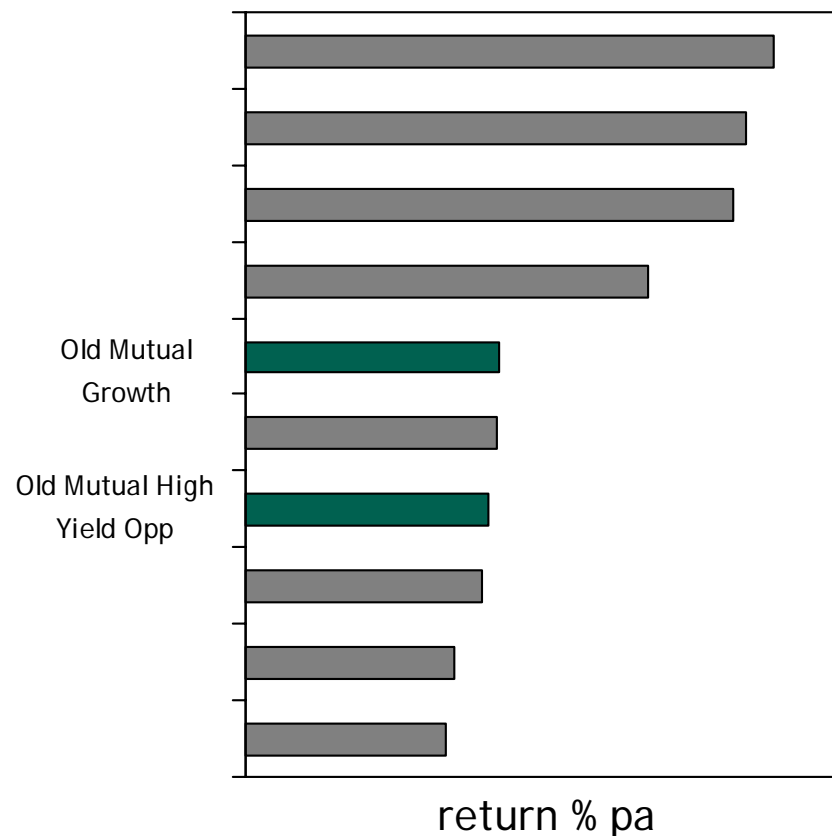
## ■ Select Equity Boutique

- Raging Bull awards for periods to December 2004, 2005 & 2006
- S&P Awards for periods to December 2005 & 2006
- Chosen to limit capacity to R24bn and 25 clients maximum to preserve focus and quality of client service

## ■ Value Boutique

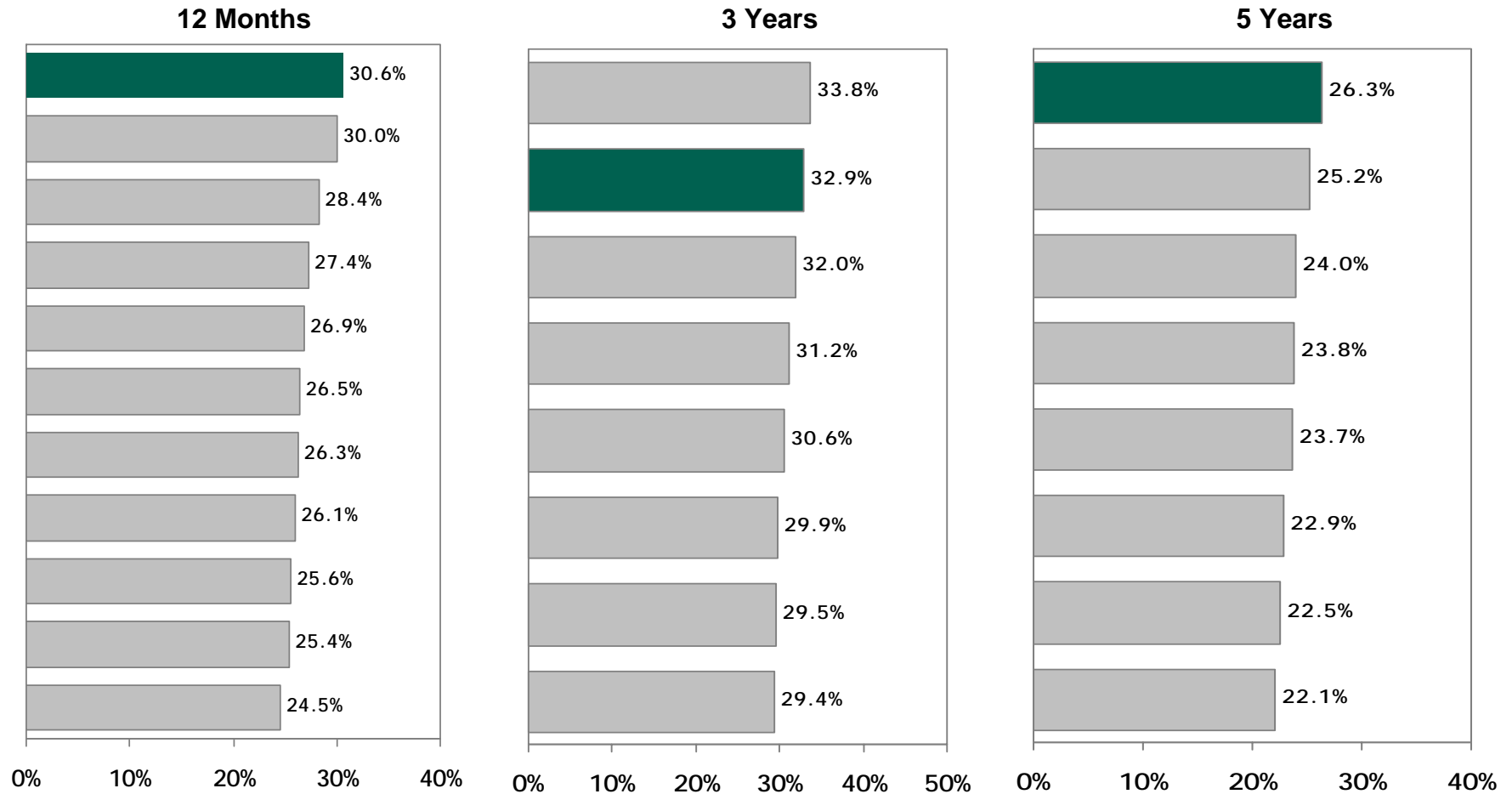
- High Yield Opportunities Fund has delivered excellent value to clients
- Consistently ranks in top 10 over 5 year periods in general equity UT category

General Equity UT category  
Top 10 at 31.08.07



# Our investment performance is excellent

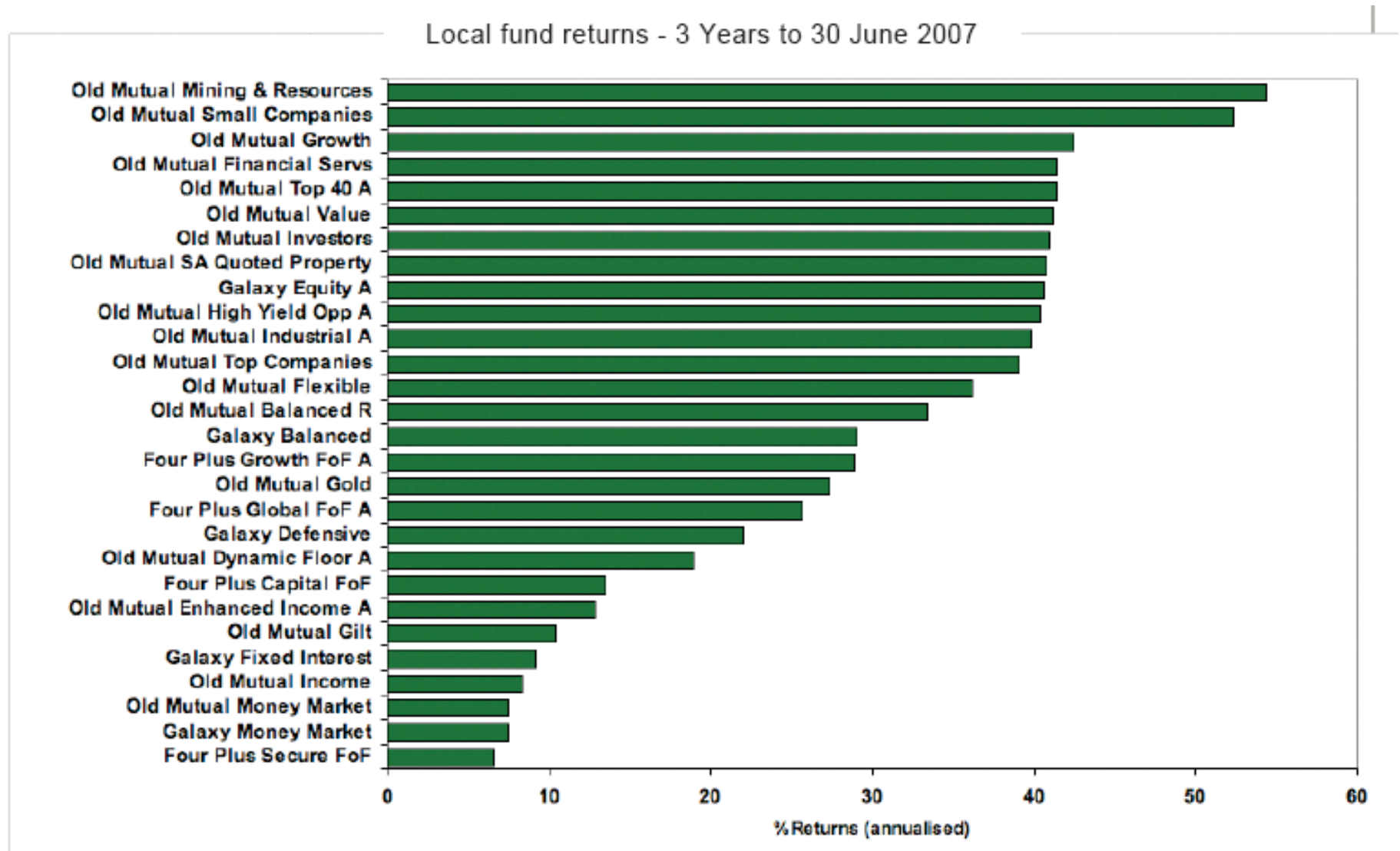
## Alexander Forbes Global Manager Watch - OMIGSA Pinnacle Fund ranking



Note: Dynamic Category



# Retail & institutional investors can choose from top performing funds across the risk spectrum



# Boutiques are creating value in our traditional book

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## ■ Aggressive move to core / satellite

- Large portfolios can be managed with the nimbleness associated with smaller portfolios
- Absolute Growth Fund solution using traditional smoothed bonus concept plus multi boutique asset management

## ■ Performance fees

- Satellite mandates earn performance fees for greater than target return
- Better alignment with client interests
- Potentially higher income for shareholders

# Demographics in South Africa

## ■ Baby boomers

- In *decumulation phase* and will make up a larger percentage of the population in years to come

## ■ Buppies

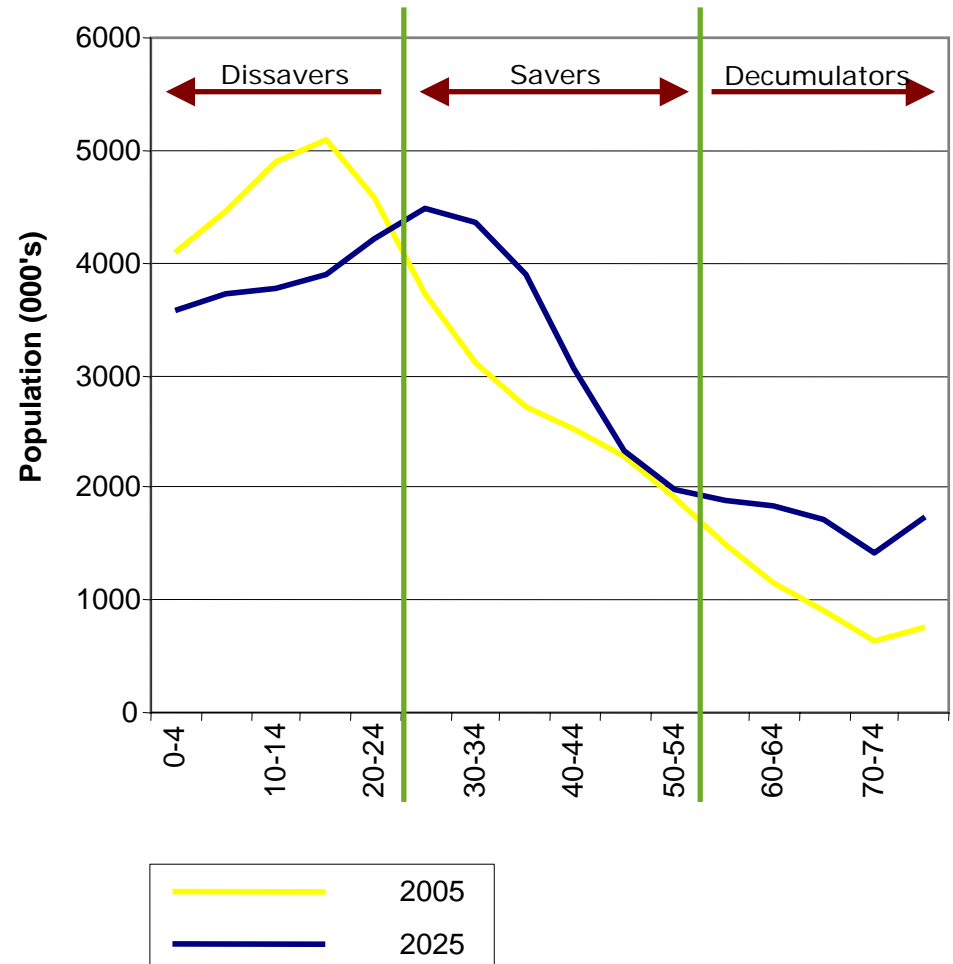
- Spend currently valued in excess of R180 billion per annum - *low savings propensity* but likely to improve in the future

## ■ Foundation market

- Large untapped potential and growing as the current teenagers enter the economically active population - *very limited capacity to save*

Source: Old Mutual analysis, UN Population Survey, Deloitte

### SA 2005 vs 2025



# Growth in savings

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- Driven by market effects rather than new flows
- Sharp increase in flows into non-traditional assets
- Existing pools for baby boomers
  - Boutiques create competitive advantage
- Rise of the mass retail market
  - first insurance
  - distribution creates competitive advantage

$$A \times M - E = P/C = \text{ROC}$$

## 2006 Results

Rm	New Era	Traditional	Total
FUM (2006 ave)	199,135	216,165	415,300
Profit before Tax (excl LTIR)	701	3,251	3,952
Net margin before tax	35 bps	150 bps	95 bps
Profit after Tax (excl LTIR)	474	2,198	2,672
Profit after tax /FUM	24 bps	102 bps	64 bps
Average Capital (OMSA)	4,277	13,972	18,249
Capital/FUM	2.2%	6.5%	4.4%
ROC (incl LTIR)	16%	25%	23%



## Financial Targets

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Key Financial Metrics	2007 / 9	2010 & beyond
RoC	>20%	>20%
■ New Era	16%-20%	>20%
■ Traditional	>20%	>20%
NCCF	+2.5%	> +2.5%
Maintenance cost (R per policy per month)		
■ Retail Mass	13.09	n/a
■ Retail Affluent	13.89	

## OMSA's role in OM Group

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- Highly profitable, with excellent ROE
- Low NCCF growth in medium term
- Platform for growth
- Excellent ROE growth in new era

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Questions ?

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# Appendix

# Specialist equity boutique - Select Equity

- Manages unconstrained equity only mandates
- Outstanding team committed to performance
  - Awards: Raging Bulls for periods to December 2004, 2005 & 2006; S&P Awards for periods to December 2005 & 2006
  - Chosen to limit capacity to R24bn and 25 clients maximum to preserve focus and quality of client service

