

# **Deutsche Bank South Africa Conference**

**Julian Roberts, Group Finance Director  
Old Mutual plc**

22 November 2001



**Old Mutual**  
**From Domestic Leadership in South Africa**  
**to**  
**Diversified International Financial Services**  
**Group**



# Old Mutual Revenue<sup>(1)</sup>- in US\$m



1: 2000 pro forma revenue including F&G

# Old Mutual Revenue<sup>(1)</sup>- in US\$m



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# Old Mutual Revenue<sup>(1)</sup>- in US\$m



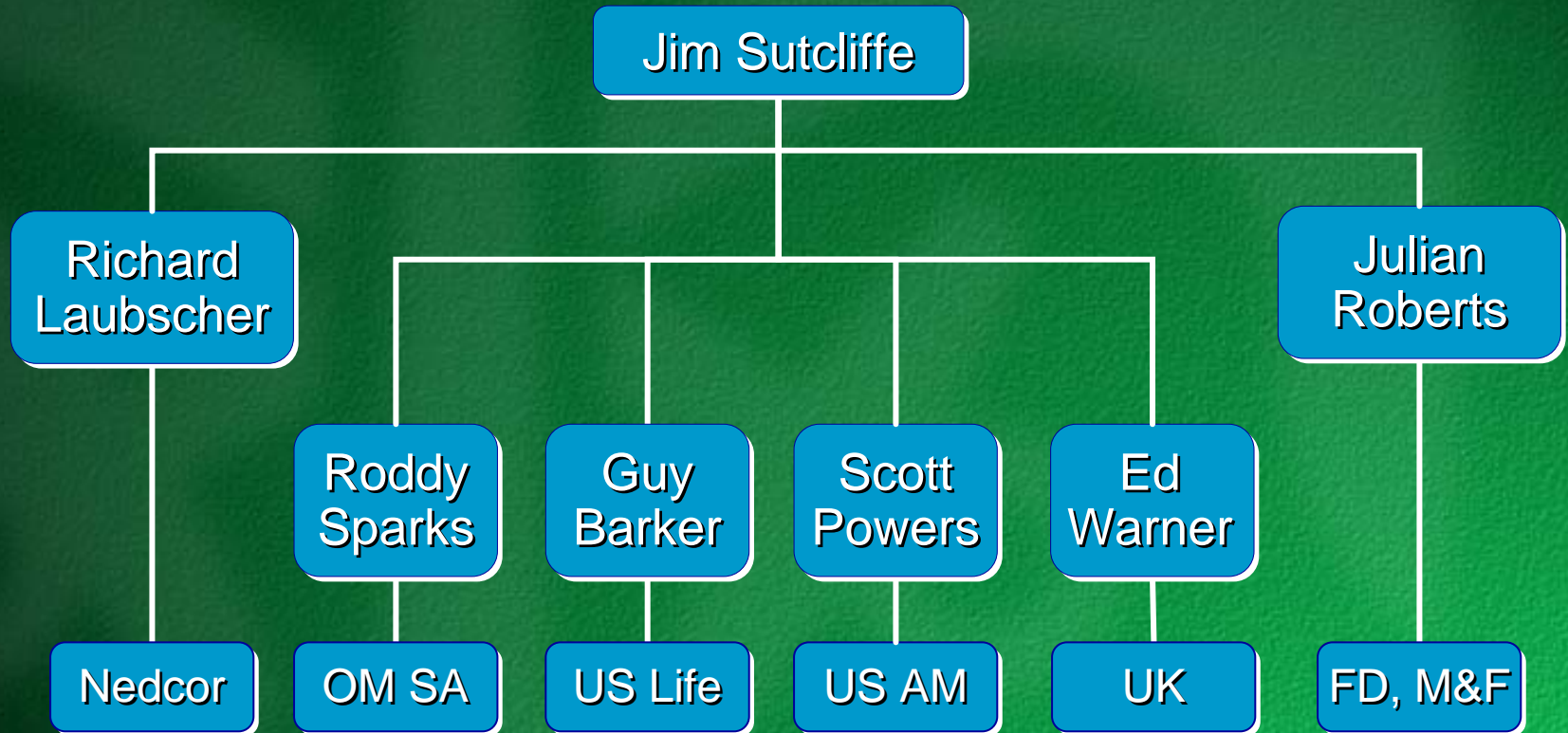
1: 2000 pro forma revenue including F&G

# Old Mutual Revenue<sup>(1)</sup>- in US\$m



1: 2000 pro forma revenue including F&G

# Powerful management team in place



# **Old Mutual South Africa**

**Leading Position in Financial Services**





# Old Mutual South Africa

- Economic Background
- Market dominant position
  - Old Mutual Life Assurance Company South Africa
    - Largest life assurer in South Africa
    - 2000 gross premium £2,580m (R27,145m)
    - FUM £15,763m (R22,992m) at 30th June 2001
  - Nedcor
    - 53% owned listed subsidiary
    - 2nd largest bank in South Africa
    - 2000 total income R9bn
    - 51.9% efficiency ratio at 30th June 2001



# Old Mutual South Africa

- Economic Background
- Market dominant position
  - Old Mutual Life Assurance Company South Africa
  - Nedcor
  - Mutual & Federal
    - 51% owned listed subsidiary
    - 2nd largest general insurer in South Africa
    - 2000 gross premium R3.5bn
    - 99.9% operating ratio at 30th June 2001



# Old Mutual South Africa

- Economic Background
- Market dominant position
- Growth drivers
  - Product development
  - Focus on profitability
  - Segmentation of business
  - Bancassurance
  - In-sourcing



# The Challenge

- Transform Old Mutual From Local to Global



**Old Mutual UK**

**Investment Services to High Net Worth  
Individuals**



# UK Operations



- UK H1 2001 revenue of £126m
- UK FUM of £18bn at 30th June 2001



# Gerrard



- Largest private client stockbroker
- Strong Position in attractive HNW market
- Strong product range
- Profitability linked to retail volumes on London Stock Exchange



# OMAM UK



- Institutional and pension mandates
- Retail capability
  - UK smaller Companies
  - European equity
  - Worldwide equity
  - Fixed income
- Consolidated Unit trust management with the move of Gerrard funds





- Market leader in
  - CFDs
  - Equity derivatives
  - Foreign exchange derivatives
- Good trading in 2001

# Old Mutual Securities

OLD MUTUAL SECURITIES  
MODERN BRITAIN MODERN BROKING

- Institutional stockbroker
- Innovative corporate finance
- Excellent research



# Selestia



- What is Selestia
  - New company targeting the mass affluent sector of the retail investment market
  - Distribution exclusively via IFAs
- Innovative products
  - Initial product will offer a highly flexible system through which IFAs can build portfolios carefully tailored to meet clients' precise needs
  - Further products planned for 2002 launch
- Low cost base
  - Custom built systems utilizing Old Mutual's South African skill base



# Old Mutual US

**Multi style asset manager**



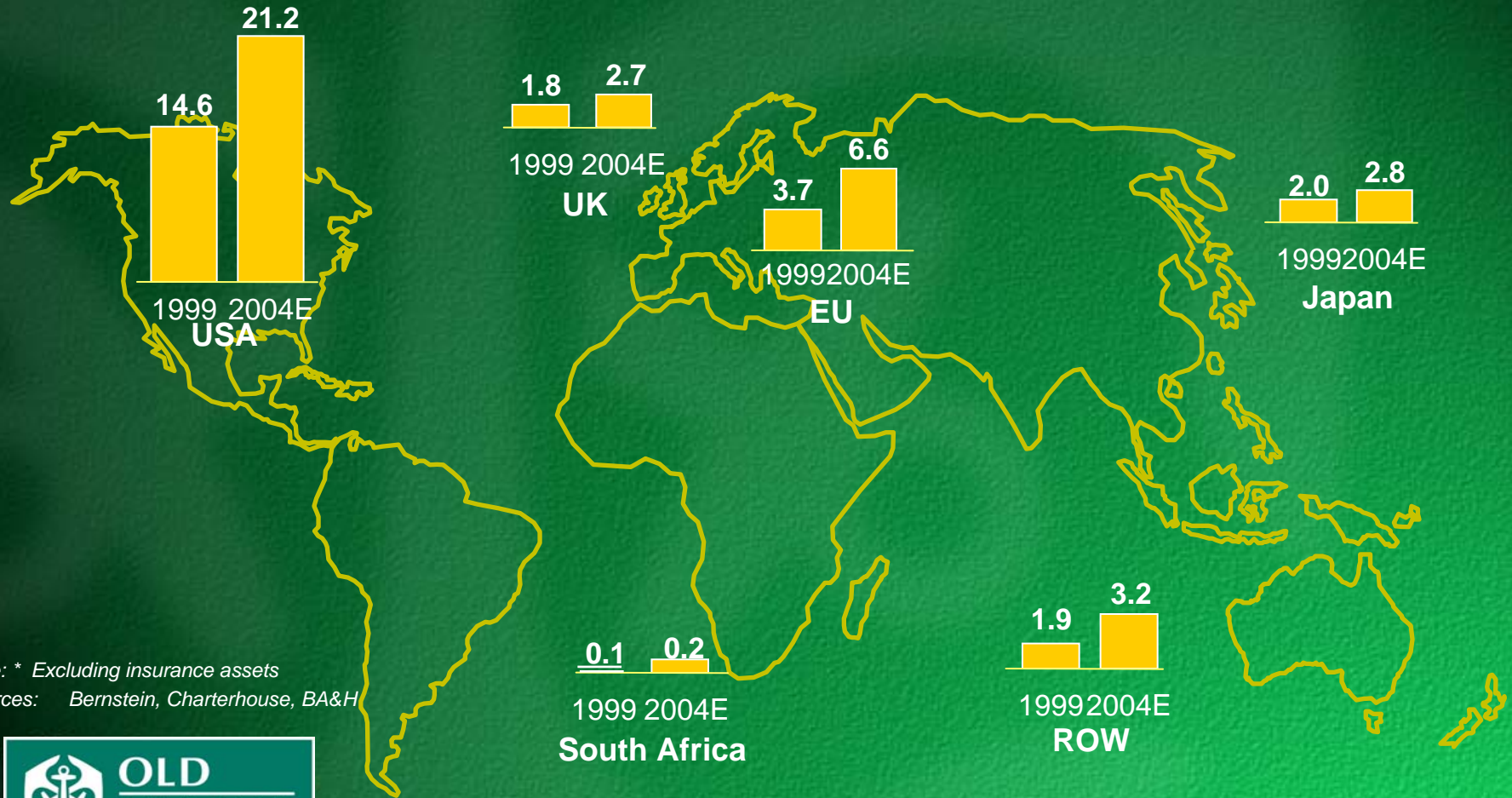
# Old Mutual (US) Holdings

- US Savings Market Overview
- Mutual Funds Management
- Institutional Asset Management Capabilities
- Life Assurance
- The Old Mutual Model



# Size of savings markets

Global Assets Under Management (\$ Trillion)\*

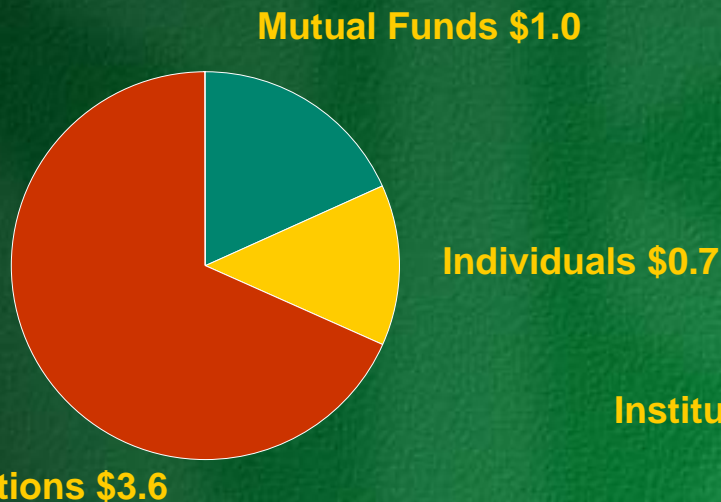


Note: \* Excluding insurance assets  
Sources: Bernstein, Charterhouse, BA&H



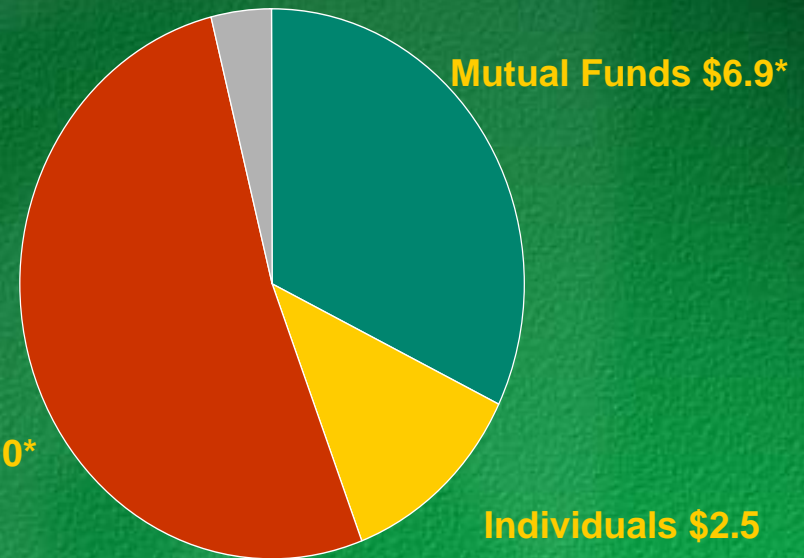
# Total U.S. Money Management Industry

**\$5.3 Trillion**



**1990**

**\$20.4 Trillion**



**2000**

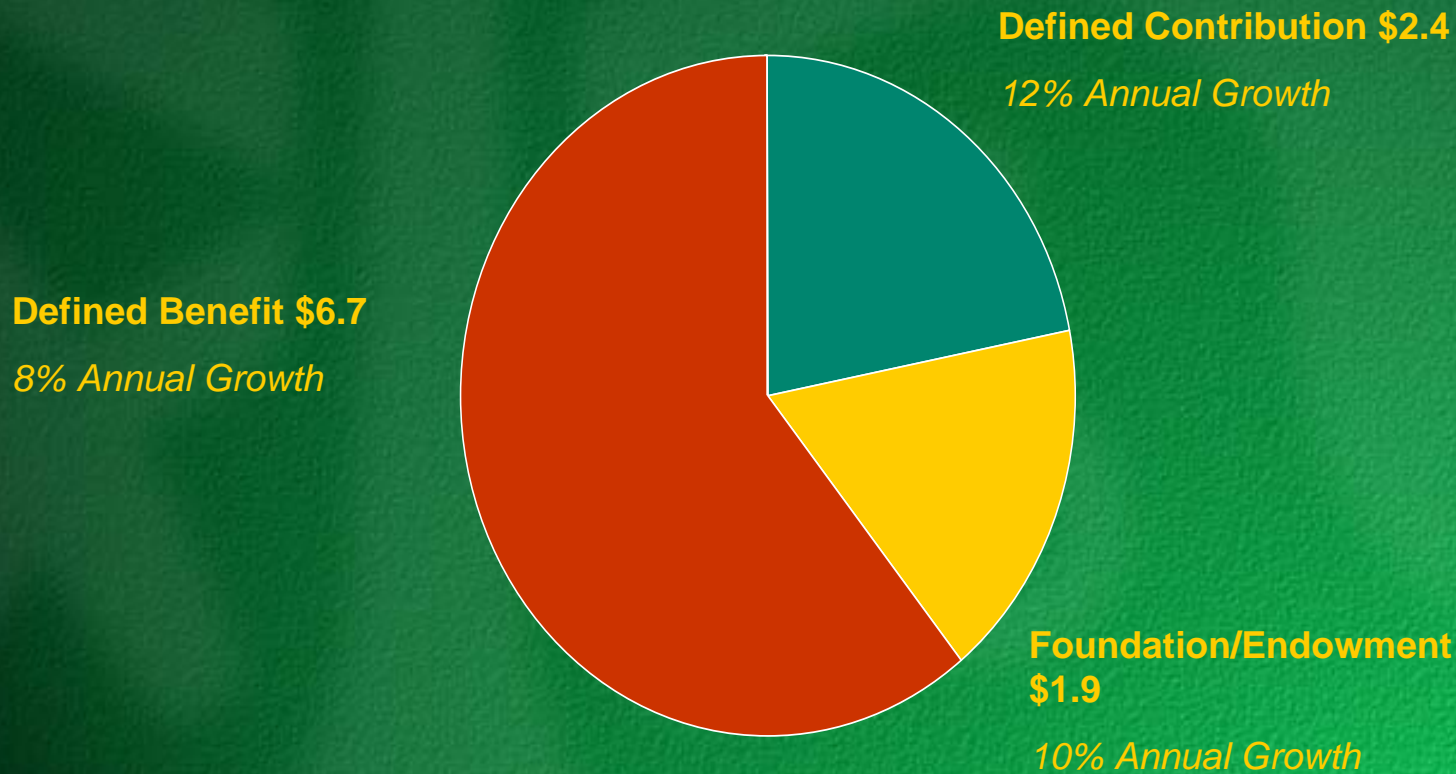
\* Includes \$800 billion of defined contribution plan assets invested in mutual funds



Source: Federal Reserve, FDIC, ICI and independent estimates

# Institutional Sector of Money Management Industry

\$11.0 Trillion



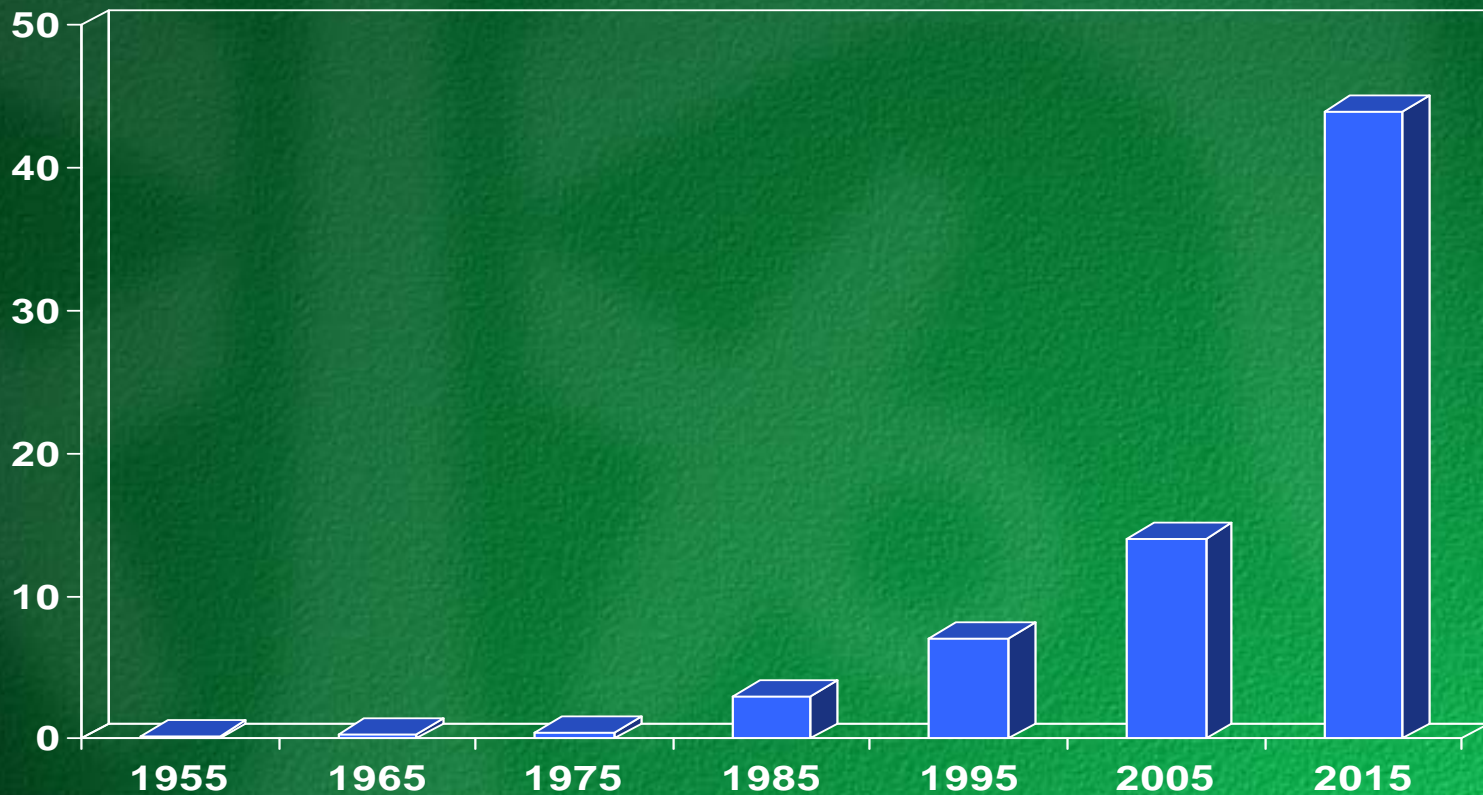
Source: Federal Reserve, FDIC, ICI and independent estimates



# Institutional Assets 1955-2015

\$ Trillions

\$44 Trillion

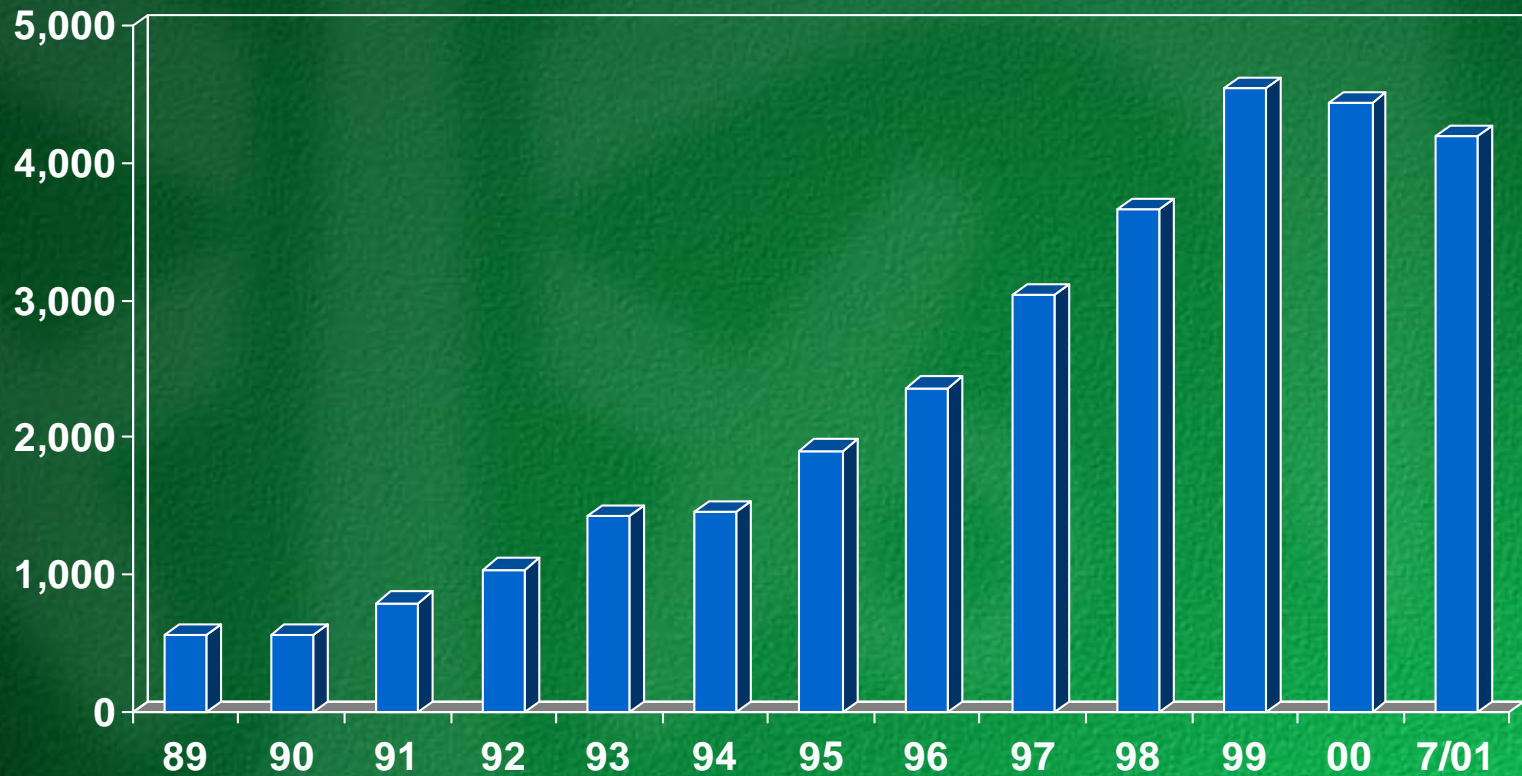


Source: Federal Reserve, Department of Labor and Independent Estimates

# L-T Mutual Fund Assets

\$ in Billions

\$4,194 Billion



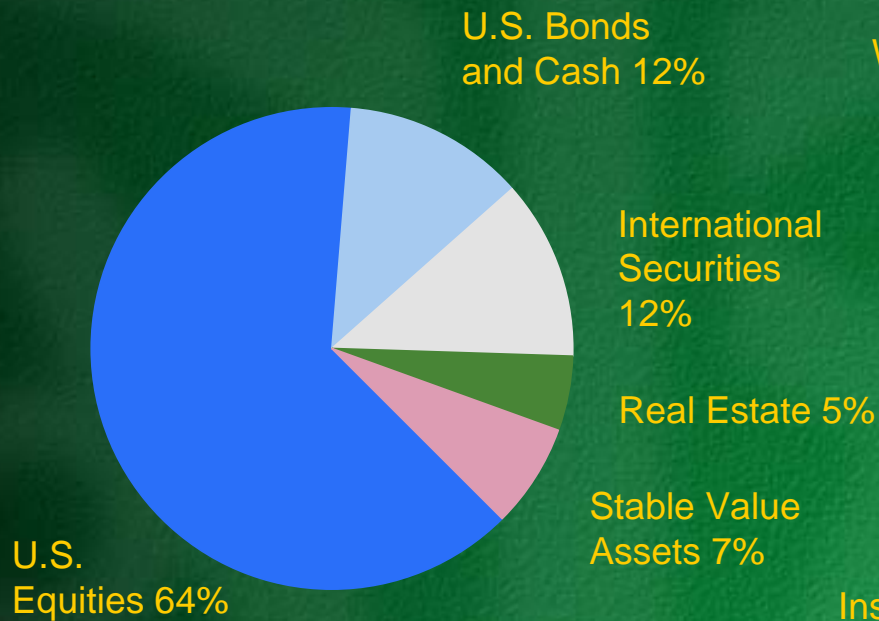
# Old Mutual - US Asset Management

- Committed to building a multi-asset class active investment management business in North America
- \$135 billion in assets under management
- High quality active investment skills in all major asset classes
- Focused distribution strategy supports organic growth

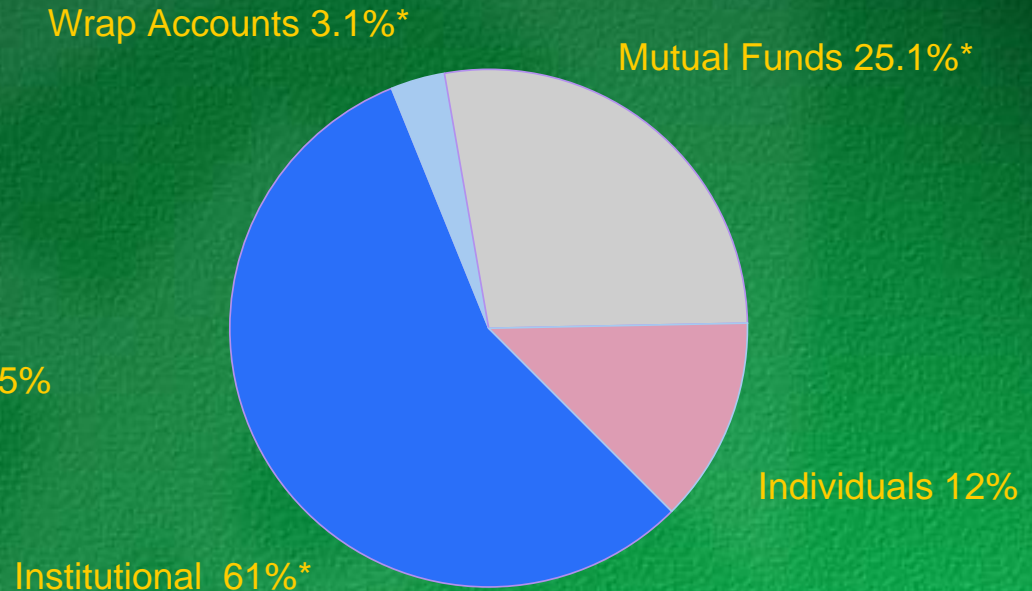


# Asset Mix and Client Base

## Asset mix



## Client base

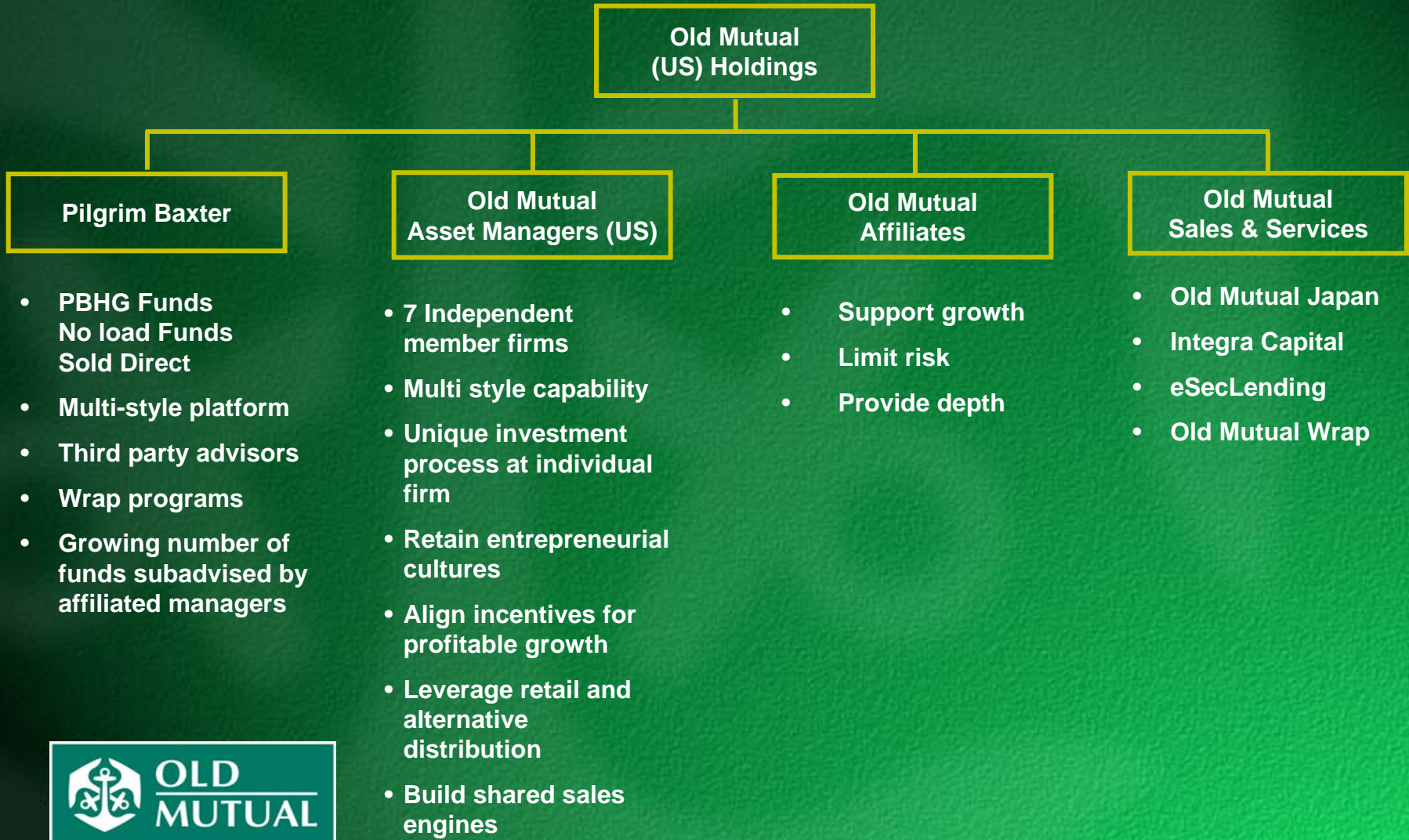


\$135 Billion

\*Includes \$21 billion of defined contribution plan assets invested in mutual funds



# Strategically Aligned Organization



# High Quality Investment Skills in all Major Asset Classes

## Old Mutual Asset Managers (US)



<u>US Equity</u>	<u>Fixed Income</u>	<u>Global Equity</u>	<u>Alternatives</u>
Large Cap Value	Short Term	Growth	Real Estate
Mid Cap Value	Intermediate	Value	Timber
Small Cap Value	Long Term	Emerging Markets	Hedge Funds
Large Cap Growth	Mortgage/ABS	Europe Only	Private Equity
Mid Cap Growth	Stable Value	Japan Only	Venture Capital
Small Cap Growth	Money Market	Small Cap Value	Currency Overlay
Large Cap Core	High Yield	Small Cap Growth	Distressed Debt
Market Neutral	International	Index	
TAA	Global	GTAA	
Balanced			
Derivatives			
Index	Index		

# Asset Management Growth Strategy



OM  
Growth  
Strategy

1. Strengthen position and accelerate growth in core U.S. defined benefit market
  - Maintain investment strength
  - Shift market share
  - Build sales capability within subsidiaries and shared channels
  - Strengthen cross-selling
2. Source new investors
  - International
  - Defined contribution investment-only business
  - Property/casualty insurance market
  - Life insurance market
  - Additional sub-advisor arrangements
3. Realise leverage, economies, and cost effectiveness across investment companies, as appropriate
  - Leverage buying clout on Wall Street



OLD  
MUTUAL

# Attractiveness of the U.S. Life Market

- World's largest life insurance and retirement services market (Approximately 29% of global sales)
- More than US \$50 billion in 2000 premium income for fixed annuities only<sup>(1)</sup>
- Favorable demographic characteristics<sup>(2)</sup>
- 61 million Americans in 45-64 age bracket, projected to increase to 80 million by 2010
- Favorable timing due to current volatility of equity markets



1 - Source - LIMRA International

2 - Source - US Census Bureau



# US Fixed Annuities Sales - Competitive Position

Rank		Estimated 2001 full year in billions
1	Aegon	\$6.2
2	American General	\$5.6
3	General Electric	\$3.6
4	ING Companies	\$3.2
5	Jackson National	\$2.6
6	Allstate	\$2.6
7	Allianz	\$2.4
8	NY Life	\$1.7
9	Travelers	\$1.6
10	Keyport/Sun Life of Canada	\$1.5
11	Nationwide	\$1.5
12	F&G Life	<u>\$1.4</u>
	Total Estimated Market	\$75.0



Source: LIMRA International

# US life strategy



- Start-up operation
- Retail agency distribution
- Experienced senior management team
- Simple, good value fixed annuity and life products

- Established franchise
- MGA distribution
- Proven senior management team
- Simple, good value fixed annuity and life products
- Proven product development expertise
- Deal Completed Sept. 2001



# Old Mutual US



Institutional



Specialist  
Multi Style



Equity Retail



Quality Mutual  
Funds



Fixed Interest  
Retail



Best Product  
Development

Multi style asset management with focussed  
distribution channels



# Old Mutual plc

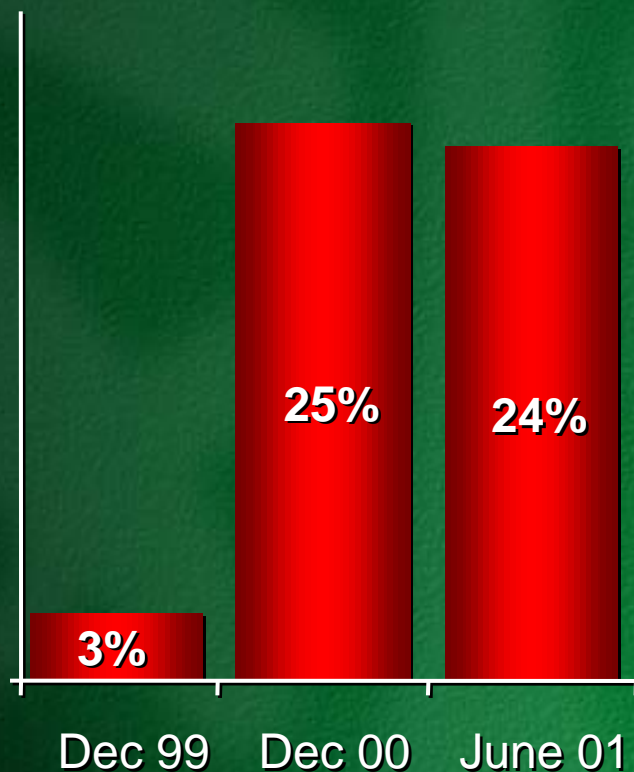


# Current trading

- Quality businesses
- Rand
- Asset market levels world wide
- Well positioned to take advantage of recovery

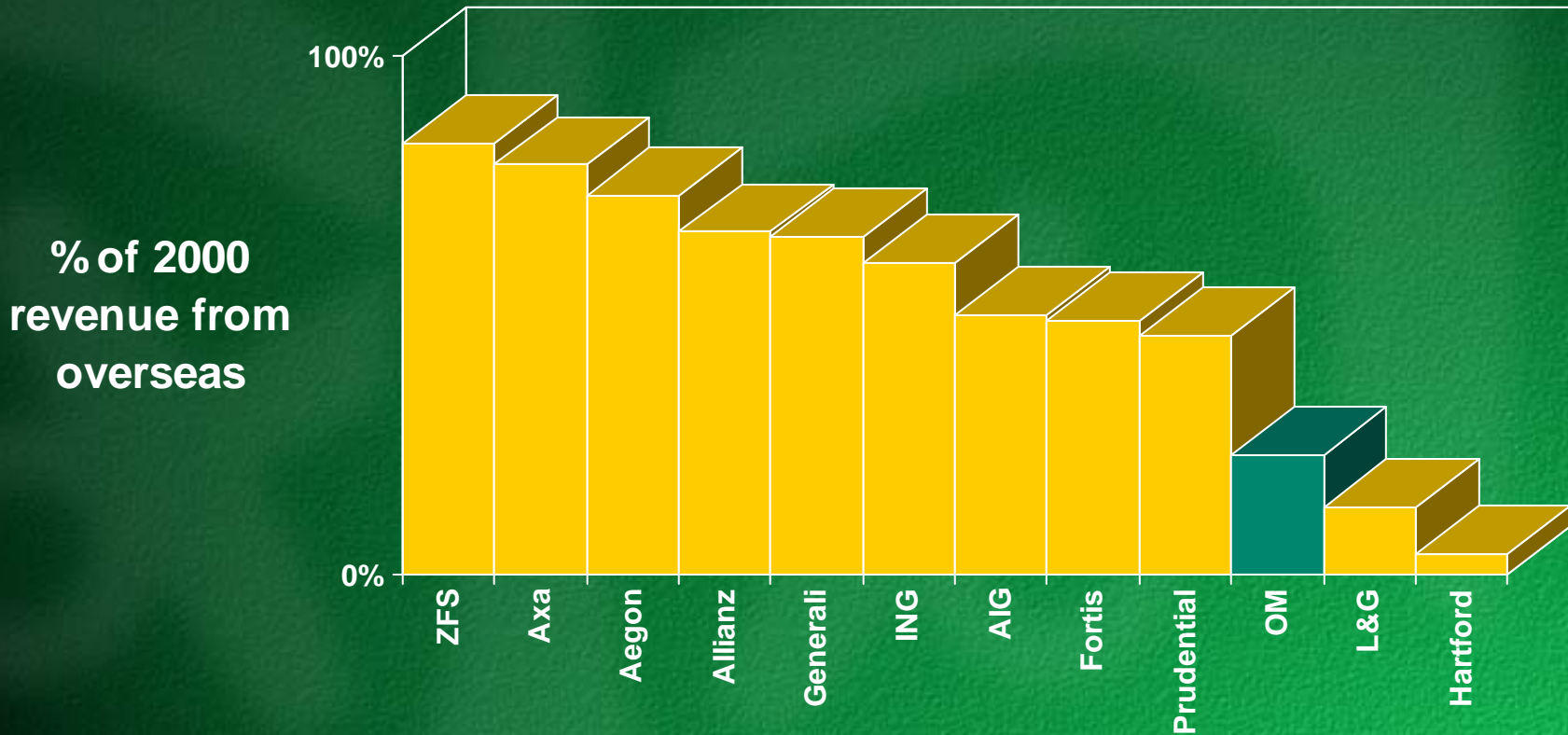
# Balance sheet strength

## Gearing ratio



- 15% return on equity
- Debt of £1.2bn
- \$650m convertible bond heavily oversubscribed
- £900m five year revolving credit facility secured
- Interest cover of 13 times on smoothed earnings
- Moody's A2 rating

# Revenues from outside home market



Source: Bloomberg  
Merrill Lynch

# Delivering our potential

- Long Term:
  - Build an international financial services organisation in selected markets
- Short term priorities:
  - Growth from SA
  - Drive returns from UK & USA acquisitions
  - Create value from international start up operations

