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OLD MUTUAL ASSET MANAGERS

Press Release

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UK EQUITIES REMAIN ATTRACTIVE DESPITE STRENGTH OF RECENT RALLY, SAYS OMAM'S MURPHY

UK equities remain attractively valued even after rallying strongly from their March lows, according to Simon Murphy, manager of the Old Mutual UK Select Equity Fund. The fund, invests across the market capitalisation spectrum in the UK and is ranked in the top quartile of the IMA UK All Companies sector since the start of 2009[(1)] and since Murphy assumed full responsibility for the fund in April 2008[(2)]. The Old Mutual UK Select Equity Fund is rated 'A' by Standard & Poor's and was also recently rated 'A' by OBSR.

Murphy comments:

"The recent rally should be viewed in the context of the decline of the previous 18 months, during which time UK equities fell almost 50%[(3)]. Although equities are not as cheap as they were in March, neither are they expensive in an historical context. The UK stock market is unchanged from its level of 11 years ago[(4)]. Since then there has been strong growth in economic activity and corporate profitability, but this has not been reflected in equity prices. Eleven years ago equities were in the process of moving to very high valuation levels, whereas at the recent market lows valuations had reached very low levels. Consequently they still appear attractive even after the gains of the past six months."

Murphy is optimistic that the UK economy is on the road to recovery, albeit that progress may be slow and volatile. Inventories have fallen to very low levels in the manufacturing sector following significant destocking and while activity remains low there is scope for some recovery, even if it is not to the levels to which we have become accustomed during the recent past. Meanwhile the healing process has begun in the consumer and financial areas of the economy, although it may take a further considerable period before the process is

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complete and lending and borrowing activity returns to healthy levels. Nonetheless Murphy does not believe that a particularly vigorous economic recovery is necessary for the equity market to make further progress, as there are a number of drivers that remain intact for several key sectors. One area that Murphy favours is resources.

Murphy continues:

“Given the limited supply of resources - oil & gas, as well as natural minerals and metals - I am positive on the long-term outlook. A key influence is the ongoing industrialisation of countries such as India and China. I expect this trend to continue for many years, providing a structural element to demand. In addition, supply will prove increasingly difficult to maintain. We're not finding as much oil and gas as we were and it is frequently found in locations where it is difficult to get out of the ground, either in geopolitically sensitive areas or in deep water. This makes it very expensive and is supportive of the notion that the marginal cost of oil will continue to rise in the medium-term. Similar arguments can be made for a variety of other commodities also. I therefore believe that the outlook for companies exposed to these areas is very favourable, hence my overweight position.”

Elsewhere, Murphy acknowledges that many early cycle consumer stocks have outperformed strongly, with valuations returning to more normal levels, although he sees selective opportunities in areas where volumes had fallen to extraordinarily depressed levels.

Murphy explains:

“Car sales and housing transactions are down dramatically from the levels of a year ago as a direct result of the severity of the credit crunch and although I don’t expect a recovery to prior levels, a recovery to even half the difference could lead to a material pickup in activity. We are already starting to see positive signs from housebuilders and car dealerships and this will have a knock-on effect to many of their industrial suppliers who, having seen a sharp

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downturn in volumes, aggressively cut costs in the early part of this year. Again, we do not expect a considerable pick-up in volumes, but even some stability and recovery should lead to higher profitability and share prices."

Overall, Murphy remains optimistic on the prospects for the UK equity market, but remains mindful of the possibility of some profit-taking, given the extent of the recent gains.

Murphy concludes:

"Equities have rallied strongly over the past few months and while there is the possibility of a near-term consolidation, I believe that given how far profits have fallen at many companies combined with the incredibly low level to which valuations fell in March, there is considerable potential for share prices to recover further over the medium term in even a moderately improving economic environment."

ENDS

(1) Source: Morningstar, bid to bid, net income reinvested, period from 01/01/09 – 21/08/09.
(2) Source: Morningstar, bid to bid, net income reinvested, period from 04/04/08 – 21/08/09.
(3) 48.4% peak to trough decline in FTSE All-Share Index between 31/10/07 and 03/03/09.
(4) FTSE All-Share Index closed at 2497.31 on 27/08/98 and 2498.40 on 27/08/09.

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Notes for editors:

1. Old Mutual Asset Managers (UK) Limited ('OMAM') is a dynamic investment manager focused on high performance and absolute return products.

2. OMAM acts as investment manager to a range of UCITS funds, hedge funds and segregated accounts.

3. OMAM's product range is organised around four areas of investment expertise: quantitative strategies, statistical arbitrage, discretionary equities and fixed interest & macro.

4. OMAM has a non-prescriptive approach to its portfolio managers, employing talented, entrepreneurial individuals who are given the appropriate freedom to apply their own proven investment methodology, rather than being constrained by a house style or view.

5. OMAM is one of a number of independently-managed asset managers within the Old Mutual group.

6. OMAM has no house market view and any opinions expressed in this document are the views of individual fund manager(s) as at the time of writing. These views may change and may have already been acted upon.

7. Further information is available at www.omam.co.uk.