

Discovery Invest: Four years on

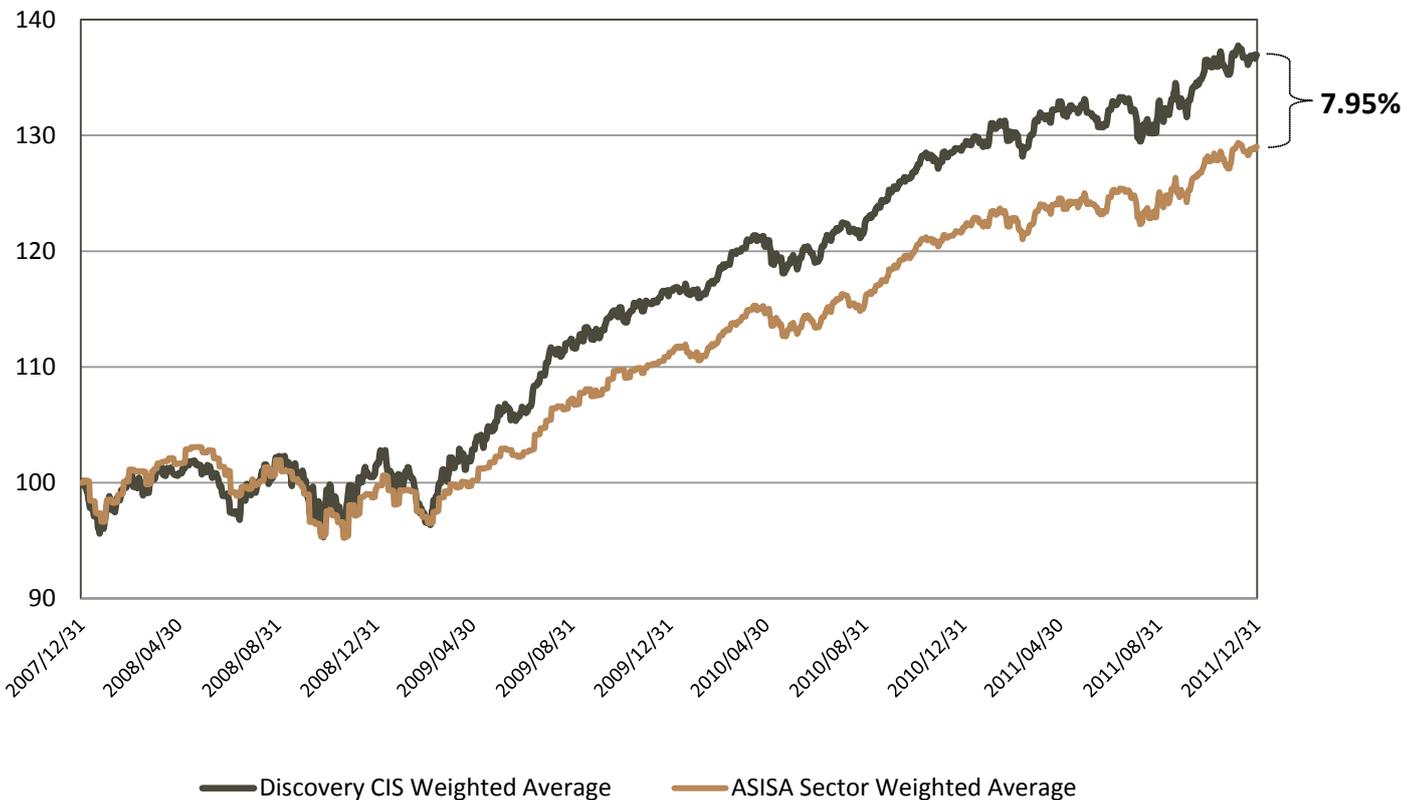
Discovery Invest fund performance

The history of Discovery Invest now spans over four years and we felt there would be merit in identifying how the Discovery Invest Fund suite has performed over this period of time.

In the midst of a vastly challenging investment environment it is often difficult to resist being consumed by the copious amount of negative prospects plaguing investors on a daily basis. However despite the often warranted concern, we hope this document will provide piece of mind in knowing that your Discovery Invest Fund(s) remain committed to providing market leading performance.

Discovery Collective Investment Schemes

Investment markets have over the past four years experienced heightened volatility with performance proving lacklustre when compared to the preceding years. Despite these recent trends, the Discovery Invest Collective Investment Scheme range has outshined the market as shown by the sector weighted fund performance below.

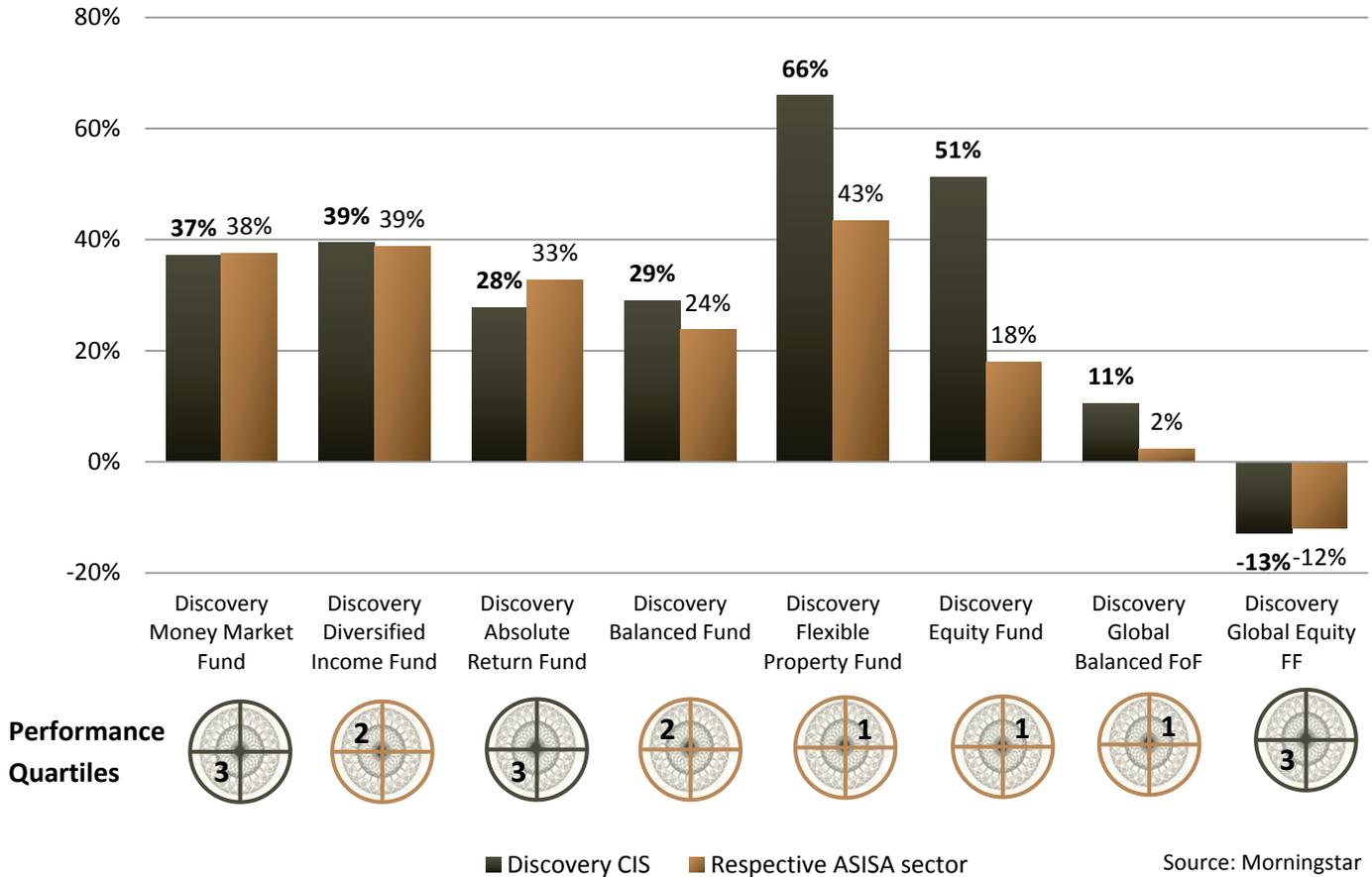


The four year performance graph assumes a weighted average of eight Discovery Collective Investment Schemes where the weights are determined by the ASISA sector sizes as at 2008/01/01. Performance as at 31 December 2011. Source: Morningstar

The weighted portfolio of Discovery funds delivered an annualised performance of 8.2% over the four year period compared to 6.6% for the sector weighted ASISA portfolio and 6.3% for consumer price inflation.

Individual fund performance compared to their respective ASISA sectors over 4 years (as at 31 December 2011)

The majority of Discovery single manager funds handsomely outperformed their respective sectors and the funds that experienced underperformance, managed to do so slightly.



Three of eight Discovery Collective Investment Schemes delivered top quartile performance with not a single fund ranked in the fourth quartile. The Discovery Equity Fund ranked second out of 66 funds in its sector that have a 4 year performance history. The Discovery Flexible Property Fund finished first in its sector over the four years ending 31 December 2011.

Attracting flows in a shrinking market

In 2011, the Discovery comparable ASISA sectors showed a net outflow of R1.31 billion for the year. Over the same period, Discovery Invest Collective Investment Schemes showed a net inflow of over R2.27 billion with only one of the funds experiencing a net outflow.

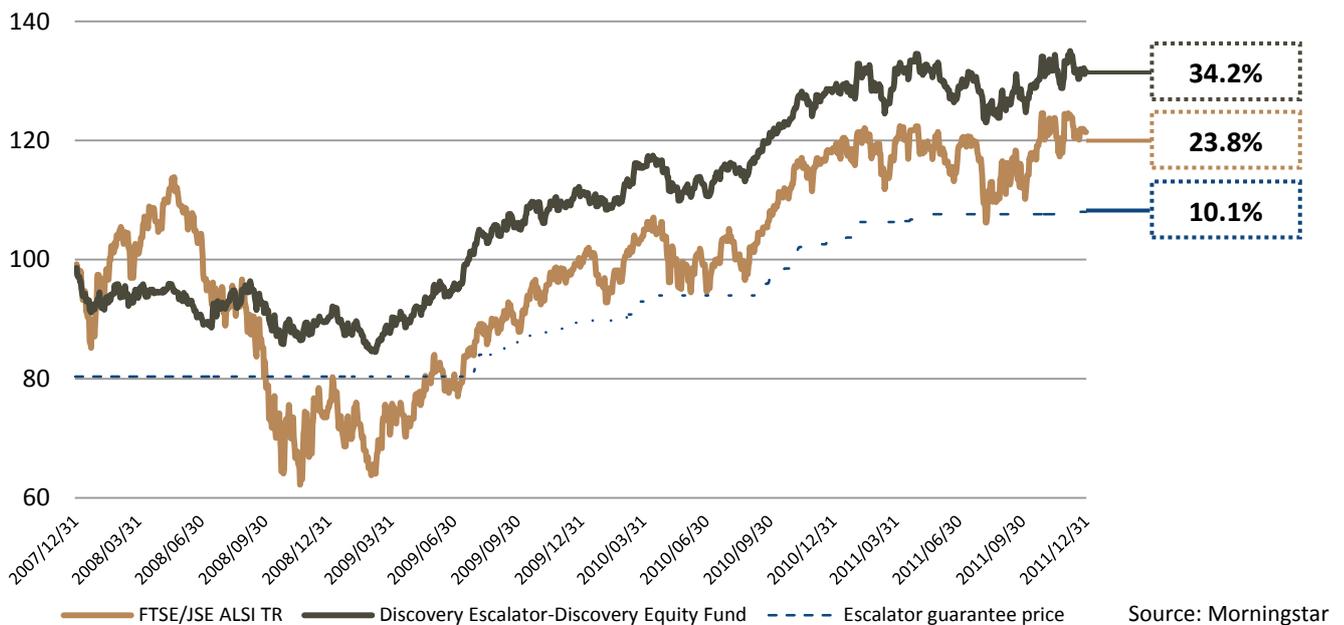
The Discovery Equity Fund had the highest net inflow in its sector for the calendar year 2011 with a positive flow of R964 million, more than double that of its closest competitor. Some of the highlights are:

Fund name	Estimate (1 Year) Net flow	Sector Average Net Flow	Inflows Sector Ranking
Discovery Balanced Fund	R 667,501,191	R 271,810,923	9 out of 60
Discovery Flexible Property Fund	R 333,042,169	R 42,806,733	2 out of 21
Discovery Equity Fund	R 964,249,127	-R 17,831,765	1 out of 82

Protection and performance: Discovery Escalator Funds

In 2008, the U.S. credit crisis spread throughout the world signalling the start of a global recession and a bear market. During this period, equity markets from around the world plummeted and the South African All Share index lost as much as 46% in the space of less than a year.

The Discovery Escalator Funds demonstrated their protection by limiting the losses incurred during this testing period. The Discovery Escalator – Discovery Equity Fund did so majestically with a maximum drawdown of 14.4% during the crisis while still giving exceptional market outperformance over the four year period.



The Discovery Escalator - Discovery Equity Fund would have ranked 8th out of 66 funds in the Domestic Equity General sector over the period. The guarantee price of the Discovery Escalator - Discovery Equity Fund grew to not only provide a guarantee higher than the initial purchase price, but also a guarantee higher than the performance of 13 other equity funds in the Domestic Equity General sector.

Similarly, the guarantee price of 16 other Discovery Equity Funds exceeds their initial purchase price after the four year period:

	% gain locked-in since inception
Discovery Escalator - Coronation Balanced Plus Fund	4.05%
Discovery Escalator - Coronation Market Plus Fund	2.33%
Discovery Escalator - Coronation Top 20 Fund	1.20%
Discovery Escalator - Discovery Balanced Fund	0.42%
Discovery Escalator - Discovery Equity Fund	8.91%
Discovery Escalator - Discovery Flexible Property Fund	17.34%
Discovery Escalator - Investec Property Equity Fund	9.99%
Discovery Escalator - Investec Value Fund	2.92%
Discovery Escalator - Nedgroup Investments Managed Fund	3.07%
Discovery Geared Escalator - Coronation Balanced Plus Fund	4.51%
Discovery Geared Escalator - Coronation Market Plus Fund	1.78%
Discovery Geared Escalator - Coronation Top 20 Fund	1.20%
Discovery Geared Escalator - Discovery Equity Fund	8.41%
Discovery Geared Escalator - Discovery Flexible Property Fund	17.34%
Discovery Geared Escalator - Investec Property Equity Fund	9.99%
Discovery Geared Escalator - Investec Value Fund	2.93%
Discovery Geared Escalator - Nedgroup Investments Managed Fund	5.08%

Investment Integrator

The Discovery Investment Integrator offers Discovery Life policyholders the opportunity to reduce certain fees on their Discovery Endowment Plan by up to 100% through the As and When Investment Integrator. Policyholders also have the option to boost their lump sum contribution to the Discovery Endowment Plan by up to 26% through the Upfront Investment Integrator. These enhancements have resulted in Discovery Invest receiving over 27% of industry gross endowment flows for Linked Investment Service Providers (ASISA Q4 2011).

To date, clients have had over R60.5 million paid back into their Discovery Endowment Plans through the As and When Investment Integrator and have accrued over R340 million through the Upfront Investment Integrator.

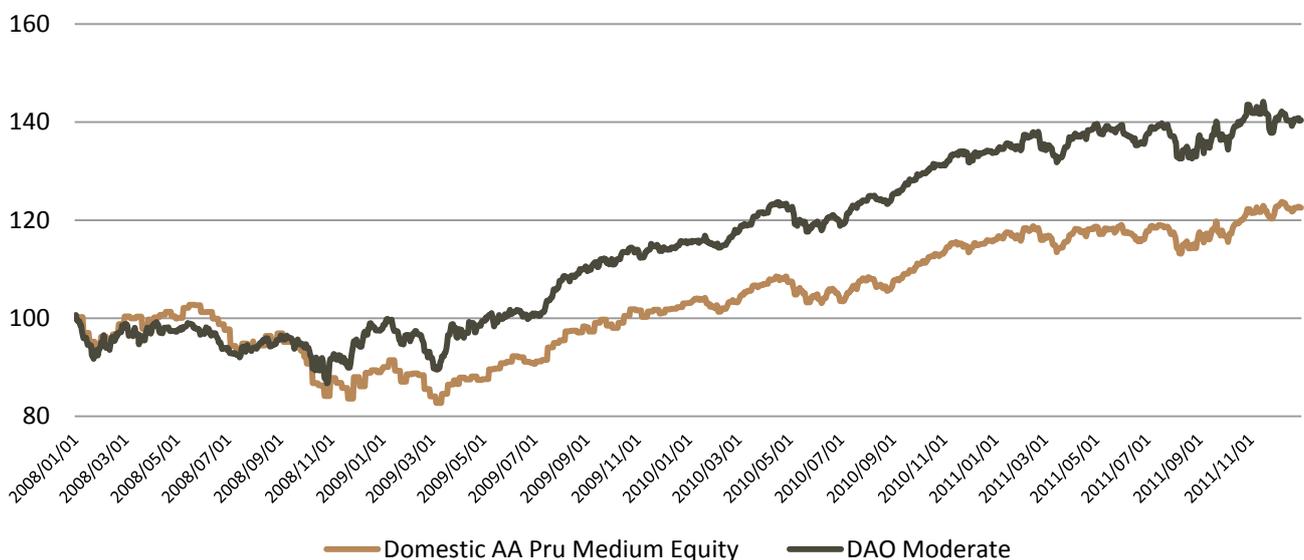
Discovery Dynamic Asset Optimiser

Over the four year and three year period ending 31 December 2011, all of the Discovery Dynamic Asset Optimiser risk profiles outperformed the ASISA sectors most comparable to them.

	1 Year	3 year (Annualised)	4 year (Annualised)
Domestic AA Pru Low Equity	6.33%	8.57%	6.45%
DAO Conservative	6.73%	10.46%	8.97%
Domestic AA Pru Medium Equity	5.60%	11.00%	5.21%
DAO Moderate	4.91%	12.76%	8.85%
Domestic AA Pru High Equity	4.26%	12.34%	4.61%
DAO Aggressive	7.53%	14.41%	7.93%

Default fund selection, Source: Discovery Invest, Morningstar

One of the most noteworthy performances was the DAO Moderate risk profile which managed to outperform its comparable sector by 17.83% over the four year period.



FAIS notice and disclaimer:

Performances are based on a lump sum invested. These performances will differ from the performances achieved on a Discovery Life policy due to Discovery Life's administration and policy fees or taxes (if applicable). While some performances are based on valuation prices other performances are based on total return prices. Actual trade prices may differ marginally. The TER shows the percentage of the average Net Asset Value of the portfolio that was incurred as charges, levies and fees relating to the management of the portfolio. A higher TER ratio does not necessarily imply poor return, nor does a low TER imply good return. The current TER cannot be regarded as an indication of the future TERs. Some funds are not unit trusts therefore are not regulated by the Collective Investment Schemes Control Act.

The Escalator Funds are linked to equity linked notes supplied to Discovery Life by the respective bank. The price of each escalator is determined solely by reference to the price of the equity linked note supplied to Discovery Life by the bank. The guarantee in the fund is also provided by the bank, and is effectively a floor on the fund price. Discovery Life holds equity linked notes for the purposes of matching each policy with the correct underlying investment. Investors should be aware that they are facing the credit risk of the bank in question.

Collective investment schemes in securities (CIS) are generally medium to long term investments. With regard to the money market fund, the price of each unit is aimed at a constant value. The total return to the investor is primarily made up of interest received but, may also include any gain or loss made on any particular instrument. In most cases this will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of reducing the capital value of the Fund. With regards to a Fund of Funds portfolio, a Fund of Funds is a portfolio that invests in portfolios of collective investment schemes, which levy their own charges, which could result in a higher fee structure for these portfolios. With regards to a feeder fund portfolio, a feeder fund is a portfolio that, apart from assets in liquid form, consists solely of participatory interests in a single portfolio of collective investment scheme. The value of participatory interests (units) may go down as well as up. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. The portfolio manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. CIS are traded at ruling prices and can engage in borrowing and script lending. Forward pricing is used. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. All portfolios are valued on a daily basis on any business day at 16H00, with the exception at month end, when portfolios are valued at 17H00. Investments and repurchases will receive the same price for that day if received prior to 11H00 for the money market portfolio and 15H30 for the other portfolios. Portfolios may be closed in order to be managed in accordance with the mandate (if applicable). Different classes of units apply to funds and are subject to different fees and charges. Quantifiable deductions are the initial fee whilst non-quantifiable deductions included in the net asset value price may comprise brokerage, MST, auditor's fees, bank charges, trustee and custodian fees. Commissions and incentives may be paid and if so, would be included in the overall costs. A schedule of fees and charges and maximum commissions is available on request from Discovery Life Collective Investments (Pty) Ltd. This information is not advice as defined and contemplated in the Financial Advisory and Intermediary Services Act, 37 of 2002, as amended. Discovery Life shall not be liable for any actions taken by any person based on the correctness of this information. Discovery Life Collective Investments (Pty) Ltd is a member of the Association of Savings and Investments of South Africa (ASISA). Discovery Life is a licensed financial service provider in terms of Section 8 of the Financial Advisory and Intermediary Services Act, 37 of 2002, as amended.