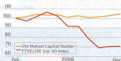


Investment of the week

Old Mutual Capital Builder

Old Mutual Capital Builder vs FTSE/JSE top 40 Index. Based to 100 at start



SOURCE: OLD MUTUAL

Who it's for: Investors who want capital protection and stable growth of 3%/year ahead of cash.

Who runs it: John Gilchrist, Tassius Chigairo and Bryn Hatty of the Absolute Return team at Old Mutual Investment Group.

How risky: The fund is managed with the aim of preserving capital over any period. It uses Atli 40 put options to reduce risk from the equity portfolio. Options reduce the effective equity exposure of the fund to between zero and 40%. The team has run a portfolio on the same lines for pension funds. Since December 2005 there have been two negative quarters, with a 1,2% loss in the second half of 2008. The worst monthly loss was 2,7% in July 2008.

How it has performed: The fund gave a return of 7,2% in 2008, 11,2% in 2007 and 16,8% in 2006.

The FM's view: The team has a lot of experience in the options and single stock futures market and good risk controls in place. It is unlikely it will see a year as challenging as 2008 again, yet it still managed to be up more than 7%. Performance will look pedestrian in a bull market. But if you are looking for a safe fund with a stable return profile, this is one of your choices. Just remember that positive returns are not guaranteed.

Stephen Cranston