

Wealth Defender Fund: protection from market volatility

While recent market volatility has seen equity markets drop by 23.2% for the 12 month ending 31 December 2008, investors in the Wealth Defender Fund have enjoyed some protection from this market volatility. These investors rest assured in the knowledge that as market conditions change, their fund manager adjusts the fund's asset allocation in order to protect its capital value. The Wealth Defender Fund is designed for investors who want access to the growth potential of the markets while also aiming to achieve a certain level of capital protection. The fund aims to outperform inflation over the medium term and has a return target of CPIX + 6% (gross of fees). The fund achieves these twin objectives by switching between cash and growth assets (such as shares and listed property) as market conditions dictate.

Protecting against losses in the short term

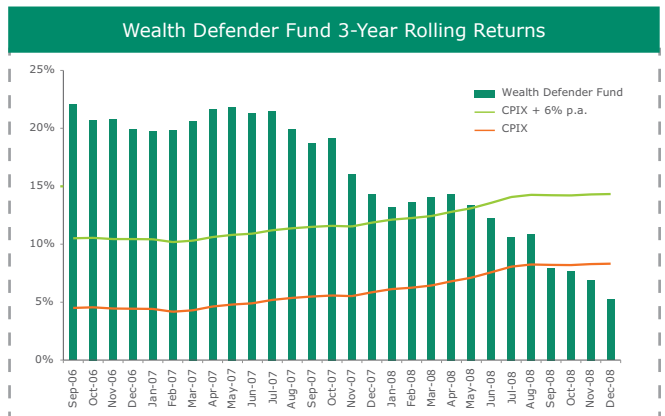
The fund uses dynamic floor technology to manage volatility in the equity component of the fund. However, the Wealth Defender fund differs from the Old Mutual Dynamic Floor Fund in that it can include alternative investment strategies of up to 20% of the overall portfolio.

The fund's built-in 'floor' is set at 90% of the net capital and means that the fund potentially avoids large losses in a bear market. In a rising equity market, effective equity exposure is increased and, as the fund value increases, it locks in gains already made. The fund uses a "forward floor" level, which when reached is a trigger to the fund manager to lock in gains. This mechanism protects investors' capital and aims to protect the investor from losing more than 10% of their net investment amount over any 12-month period.

2008 has certainly been a good test of this ability to protect capital. For the 12 months ending 31 December 2008 the FTSE/JSE All Share Index lost 23.2% while the fund is down only 2.0%. The bulk of the portfolio is invested in short-dated money market and cash instruments to provide steady returns. In addition, 12% of the fund is invested in alternative investment strategies. The fund manager has cut the inflation-linked bond holdings down to 2% as inflation has peaked and is likely to be lower in future. In order to beat its inflation-plus target by a decent margin over the long run, the fund needs to have

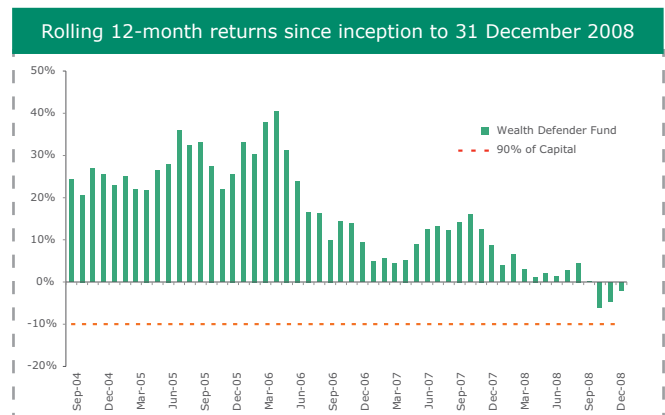
growth assets like equities and property. We will selectively add to these as the market starts to recover.

The combination of unexpectedly high inflation and a severe market downturn has resulted in the fund falling short of its performance target. However, we anticipate that inflation will fall in 2009 and this, coupled with our ability to increase market exposure as conditions improve, should result in a fund that is well positioned to capitalise on any market recovery.



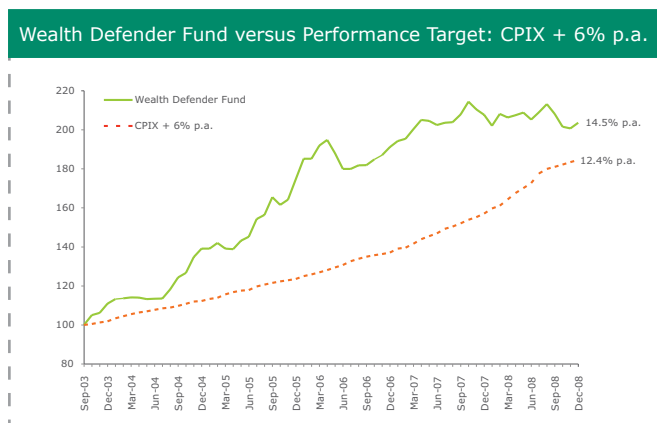
The graph shows how the fund has performed relative to its benchmark (CPIX) and its performance target (CPIX + 6% p.a.) over rolling three-year periods since inception. The fund has met its benchmark 24 out of 28 periods, and achieved its performance objective 21 times.

In addition, the fund has met its risk target of protecting at least 90% of the net investment amount over rolling 12-month periods consistently since inception.



Inflation-beating returns over the longer term

Launched in 2003, the fund has been tested through bull and bear market conditions. Viewed since inception, the fund has delivered a return well in excess of the target level of CPIX + 6% p.a.



Poised to participate in a market rally

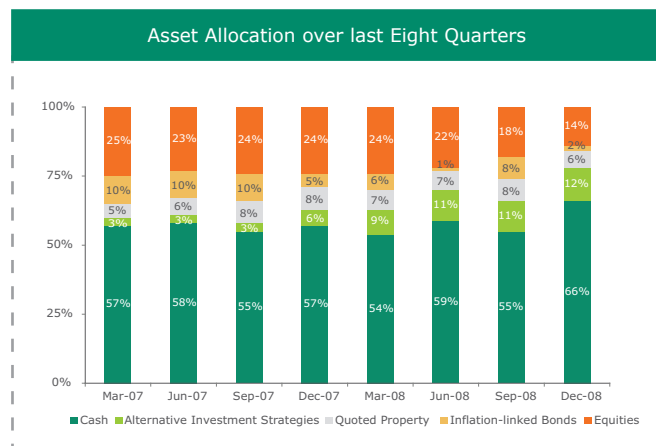
The fund has the flexibility to diversify across local asset classes, including property and alternative investments, to enable it to target an absolute return and preserve capital. The fund manager therefore adjusts the portfolio continuously to meet these twin objectives on a continuous basis. In light of the current market volatility, the focus has been on capital preservation. Having substantially reduced the fund's exposure to equities, the fund is now well positioned to start adding equities again as opportunities arise. This should allow investors to participate in any potential market recovery. In the meantime, with between 60% and 70% in cash and bonds, investors can look forward to positive returns even in flat markets.

Wealth Defender Fund versus Cash

Many investors are currently moving to cash as a safe haven in volatile markets. While cash may be suitable as a short term parking bay, it is unlikely to give inflation-beating returns over the long term. The Wealth Defender Fund is an attractive investment alternative for longer term investors, since:

- The fund currently has a high cash weighting, so it is cushioned from market turbulence.
- The fund can actively increase growth asset holdings (to a maximum of 75% of the portfolio) in a market recovery.
- Investors are more likely to earn higher real returns over time with growth assets than with cash.

This life fund is available via Investment Frontiers, MAX Investments, Max Income and Galaxy. Speak to your Old Mutual Investment Group Sales Executive or Regional Investment Specialist for further information.



This fund is available via Investment Frontiers, MAX Investments, MAX Income and Galaxy.

Sources: OMIGSA; all data will be as at end of December 2008 unless otherwise stated. Sell-to-sell fund performance and gross benchmark returns are used, both including reinvested income. Lump sum basis.

Old Mutual Investment Group (South Africa) (Pty) Limited is a licensed financial services provider, FSP 604, approved by the Registrar of Financial Services Providers (www.fsb.co.za) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. Old Mutual Investment Group is a wholly owned subsidiary of Old Mutual (South Africa) Limited. Reg No 1993/003023/07.

The investment portfolios are market linked. Products may either be policy based or unitised in collective investment schemes. Investors' rights and obligations are set out in the relevant contracts. Market fluctuations and changes in rates of exchange or taxation may have an effect on the value, price or income of investments. Since the performance of financial markets fluctuates, an investor may not get back the full amount invested. Past performance is not necessarily a guide to future investment performance.