Old Mutual Unit Trusts
Living Annuity

Old Mutual Unit Trusts Living Annuity (OMUTLA) is a unit trust-linked living annuity that provides investors with a retirement income based on the returns of a market-linked investment portfolio. It enables you to diversify your retirement capital across regions, sectors and economies via Old Mutual's comprehensive range of unit trusts.

It is an option to consider if you want to expose a portion of your retirement capital to the growth potential of the markets in order to outpace inflation. However, your income is not guaranteed and the value of your investment will fluctuate in line with the markets. For this reason it could be wise to consider combining this investment with a life annuity which offers a guaranteed income for life.

Benefits

- **Income flexibility:** Select your own level and frequency of income.
- **Beat inflation:** Expose your retirement capital to the growth potential of the investment markets.
- **Choice:** Tailor your portfolio to suit your needs, using funds from our Classic Investment Collection, or from the entire range of over 40 funds.
- **Cost efficiency:** No additional product fees*.
- **Legacy:** Ensure the beneficiary you choose receives the death benefit.

Your retirement income

You can choose your level and frequency of income, and both can be reviewed annually on the anniversary date of your investment.

Income frequency

You can receive your income payment monthly (in arrears), quarterly, bi-annually or annually (in advance). Please note that legislation requires that you receive at least one payment annually. No withdrawals, other than the regular income withdrawals, are allowed.

Income level

Current legislation allows you to select a level of income between 2.5% and 17.5% of your portfolio value. This is an advantage if you want a high income over a shorter period or if, for tax purposes, you want to lower your taxable income.

However, it is important to note that if your income level is higher than the annual growth of your portfolio it will impact and erode your retirement capital, and therefore your future income. It is your responsibility to ensure that you select an appropriate level of income, which needs to be carefully considered in light of your overall retirement funding, market conditions and your expected longevity. We recommend that you employ the services of a qualified financial intermediary (adviser or broker) and consider the following guideline:

- Under age 70: Maximum 12% p.a.
- Between 70 and 80: Maximum 15% p.a.
- Over age 80/ill health: Maximum 17.5% p.a. (if you are suffering from ill health or some other impairment that will significantly reduce your life expectancy).

*You only pay the standard ongoing fees of the unit trusts you select.

Income level cont.

The table below gives you an indication of how your income may reduce over time. If the number of years indicated are reached, your income will start to diminish rapidly. The table assumes that you will adjust your percentage income to maintain the same amount of real income by allowing for inflation of 6% per year.

Years before your income will start to reduce

		Investment return per annum (before inflation & after all fees)				
		2.50%	**5.00%**	**7.50%**	**10.00%**	**12.50%**
Annual income rate selected at inception	**2.50%**	21	30	50+	50+	50+
	5.00%	11	14	19	33	50+
	7.50%	6	8	10	13	22
	10.00%	4	5	6	7	9
	12.50%	2	3	3	4	5
	15.00%	1	1	2	2	2
	17.50%	1	1	1	1	1

Source: ASISA

Structuring your portfolio

OMUTLA gives you the flexibility to tailor a portfolio of Old Mutual's unit trusts that is designed to meet your specific needs based on your risk appetite, income requirements and time frame. You can choose from our Classic Investment Collection, which is a selection of five funds designed to meet most investment needs, or from our entire range of over 40 funds.

All risks associated with this investment are carried in full by you, the annuitant. Your investment capital in OMUTLA will be impacted by the investment returns of the selected unit trust funds, and by the level of income drawn. If the level of income exceeds the return on your investment, it will fail to provide you with a sustainable income for life.

It is recommended that you speak to a qualified financial intermediary (adviser or broker) for assistance in selecting suitable funds, and keeping your portfolio relevant to your changing needs. If appropriate, you can switch between the full range of Old Mutual unit trust funds without incurring any charges.

However, the Financial Services Board (FSB) urges investors to be aware of the different levels of risk that are associated with the categories of unit trusts, as too many higher-risk funds in your portfolio could put your retirement capital at risk in times of negative market performance. Yet, taking too little risk could mean that your returns will be too low to offer you a sustainable level of income.

The following investment regulations of the Pension Funds Act, supported by the FSB, can be used as a general guide to assess the overall asset composition of your OMUTLA portfolio.

- A maximum combined exposure of 90% to equity and property investments with:
  - maximum 75% exposure to equity
  - maximum 25% exposure to property
- A maximum exposure of 20% to assets outside of South Africa

*If the investment amount is transferred in from a **pension or provident fund** you are required to comply with the prudential investment guidelines. This means you must invest at least 25% in interest-bearing investments.*

Important: You and your intermediary can structure and manage your portfolio online by registering for access to Old Mutual's secure site. Simply click on "register" at the top of www.omut.co.za to sign up for the many benefits of being an online investor.

Investment minimums

Investments can be transferred from approved retirement annuities and pension/ provident funds without incurring tax.
Investment Minimum: R50 000.

Nominating a beneficiary

Please be sure to nominate at least one beneficiary. If you do not nominate a beneficiary, the value of your investment will accrue to your estate at death and will incur estate duty at the applicable rate, depending on the size of your estate. If you have nominated a beneficiary, your OMUTLA investment does not form part of your estate.

On your death the beneficiary/ies you nominate is/are entitled to receive the benefits, as opposed to a fund-owned annuity where the Trustees of the Fund can override your choices in favour of an individual who they deem to be a dependant.

When you die your beneficiary/ies can choose between:

- Continuing the annuity, i.e. they will receive your income, taxed at their marginal tax rate.
- Having the balance of the investment, including capital growth and income, paid out over five years – called an accelerated annuity.
- A lump sum payment.

Life Annuity:

A life annuity is a retirement income-generating product that pays a guaranteed income for life, but it does not offer the same flexibility or growth potential as a living annuity.

Living Annuity:

A living annuity is a market-linked product that does not offer any guarantees. The values of the living annuity will fluctuate in line with the performance of the underlying investments you have selected. You can choose the frequency and level of your income.

Tax considerations

- The income is taxed at your marginal rate of tax, while any capital appreciation in the value of your units is currently free of capital gains tax.
- Any lump sum benefit payable to a beneficiary of the original pensioner (i.e. the ex-member of the pension fund from which the funds were derived) will be taxed as per the scales outlined in Part 1 of Appendix 1 (Item 10b) of the Income Tax Act. Currently amounts of R300 000 and less incur 0% tax while the maximum rate on sums of R900 000 or more is R135 000 plus 36% of taxable income exceeding R900 000. This does not apply to subsequent beneficiaries, should the original beneficiary die.
- Beneficiaries who opt to receive an income from the investment will be taxed at their marginal rate of tax.
- This investment does not form part of your estate and thus incurs no executor's fee, unless a beneficiary is not nominated (see above).

Fees and charges

These charges are used by Old Mutual to cover all management and administration costs as well as any adviser fees payable to the intermediary.

(a) Initial fee

No initial administration fee is charged on the product but, if you have used the services of a qualified financial intermediary (adviser or broker) you may negotiate an initial adviser fee of a maximum of 1.71% (incl. VAT).

(b) Charges against the underlying unit trust funds

These fees are jointly reflected in the Total Expense Ratio of a unit trust, disclosing the historical fees paid over a one-year period:

- An annual service fee is calculated on the market value of a unit trust's assets (excluding income and permissible deductions). It is deducted daily from each underlying unit trust's portfolio. This fee may include adviser fee payments.
- Further fees that may be deducted from the unit trust's portfolio are compulsory and bank charges, brokerage, securities transfer tax, other taxes and levies, custodian and trustee fees, and audit fees.
- Please refer to the unit trust fund fact sheet for more detail on the fee structure of each individual unit trust.

(c) Charges against annuity (income) payments

- An annuity payment fee is deducted from after-tax annuity payments. It is dependent on payment frequency: R9 per month; R15 per quarter; R24 per half year; R42 per annum.
- If agreed upon by you and your qualified financial intermediary, an annual adviser fee may be deducted from your annuity payments. This may be a maximum 1.14% p.a. (incl. VAT) of your annuity's market value on its anniversary date (excluding investments in the Old Mutual International Growth Fund of Funds, the Old Mutual Albaraka Equity Fund and all Four Plus funds).

Investment and ownership

The underlying assets of OMUTLA belong to Old Mutual Life Assurance Company of South Africa (OMLACSA). In terms of the provisions of the contract with OMLACSA you are entitled to receive an annuity at a level and frequency selected by yourself. Your death benefit will include any remaining balance in your investment. As it is a member-owned annuity, you can only invest in OMUTLA if the rules of the retirement fund from which you are transferring your retirement capital permit it.

Important Notes

- Interest and dividends are automatically reinvested. Historical income distributions are reflected on the individual fund fact sheets available on our website, www.omut.co.za.
- Your Old Mutual Unit Trusts Living Annuity may at any stage be converted into a conventional life annuity, administered by the same assurer or another assurer. A conversion is based on the market value of the units as at the date of conversion, and subject to ruling legislation at the time.

Old Mutual Unit Trusts
Classic Investment Collection

A selection of five unit trust funds that meets the needs of almost every investor profile - depending on life stages and risk appetite. These funds can be used as stand-alone funds, or as core funds in your overall retirement plan.

Old Mutual Enhanced Income Fund

Old Mutual Stable Growth Fund

Old Mutual Balanced Fund

Old Mutual Flexible Fund

Old Mutual Top Companies Fund

More information on our Classic Investment Collection, as well as our entire range of unit trust funds, can be found at www.omut.co.za

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Unit trusts are generally medium to long term investments. Past performance is no indication of future performance. Shorter term fluctuations can occur as your investment moves in line with the markets. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Unit trusts can engage in borrowing and scrip lending. The fund's TER reflects the percentage of the average Net Asset Value of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. A schedule of fees, charges and maximum adviser fees is available from Old Mutual Unit Trust Managers Ltd (OMUT). You may sell your investment at the ruling price of the day (calculated at 15h00 on a forward pricing basis and 17h00 at month-end for Old Mutual RAFI® 40 Tracker Fund and Old Mutual Top 40 Fund). The Old Mutual Money Market Fund unit price aims to be static but investment capital is not guaranteed. The total return is primarily made up of interest (declared daily at 13h00), but may also include any gain/loss 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. Specialist equity funds may hold a greater risk as exposure limits to a single security may be higher. A feeder fund is a portfolio that, apart from assets in liquid form, consists solely of participatory interests in a single portfolio of a collective investment scheme. A fund of funds unit trust invests only in other collective investment schemes, which may levy their own charges. Certain funds may be capped to be managed in accordance with their mandates. Different classes of units apply to these portfolios and are subject to different fees and charges. Old Mutual Unit Trust Managers Ltd is a member of the Association for Savings and Investment South Africa (ASISA).

November 2010