



INVESTING IN OLD MUTUAL SMOOTHED BONUS FUNDS

OLDMUTUAL

DO GREAT THINGS EVERY DAY

WHAT ARE SMOOTHED BONUS FUNDS?

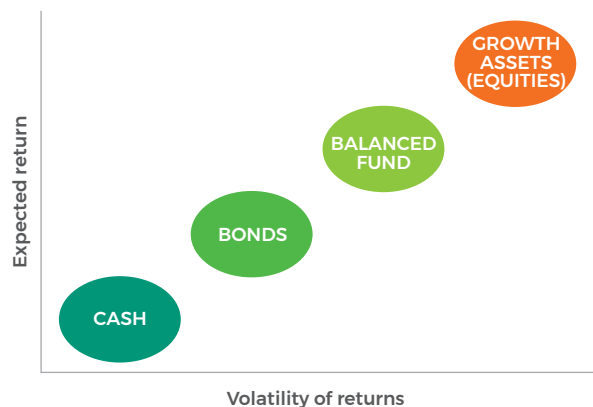
Smoothed bonus funds invest in a range of assets like equities, bonds, property and alternative assets. The growth in these assets is then passed on to investors by means of a regular bonus. When markets are doing well, a part of this growth in assets is put aside to smooth out future ups and downs in investment returns caused by market movements.

WHY INVEST IN A SMOOTHED BONUS FUND?

Smoothed bonus funds offer the best of both worlds - by giving steady long-term growth while minimising "bumps" along the way. In other words, these funds help you to grow your money when the markets are doing well, and manage the risk of lower returns when markets do badly.

HOW DO THEY WORK?

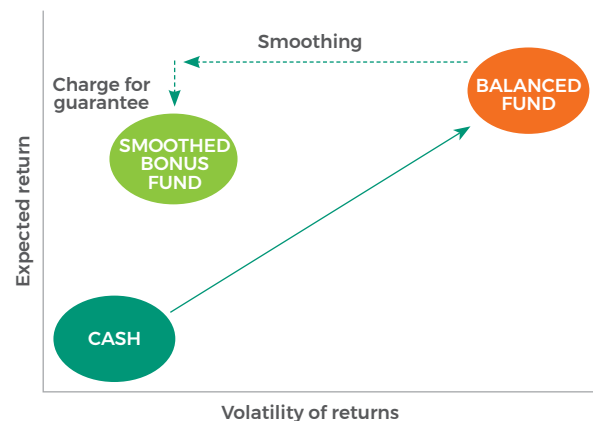
In order to provide investors with good real returns, smoothed bonus funds invest significantly in growth assets. Normally this type of high growth approach makes it more likely that the returns could be more volatile (go up and down) in the short term. This relationship between growth assets and volatile returns is shown in the graph below. As you move from cash to bonds, a typical balanced fund and then growth assets (such as equities), your chance of getting higher returns over the long-term goes up, but so does the volatility of those returns.



Smoothed bonus funds are designed to overcome this by giving good long-term returns much like a similar balanced fund, but at the same time smoothing out the ups and downs that you would usually experience with these types of funds.

To achieve this, they combine:

1. **Smoothing** - when markets are performing well, a portion of the returns made from the growth assets is put aside so that it can be used to provide investors with a higher bonus than what they would otherwise have received when markets are performing poorly. So doing, smoothed bonus funds are able to smooth out future ups and downs in the returns earned by the fund.
2. **Guarantees** - the investor can lock in some or all of the growth in their investment by means of guarantees. These guarantees cover a series of defined benefit events such as retirement, death, disability and other pre-specified points in time. Upon the occurrence of any of these events, an investor will not lose the percentage of growth they choose to lock in. These guarantees do not apply on voluntary withdrawals or switches out of the fund. These guarantees come at a disclosed cost to the overall returns of the fund and this cost depends on the level of guarantee selected.



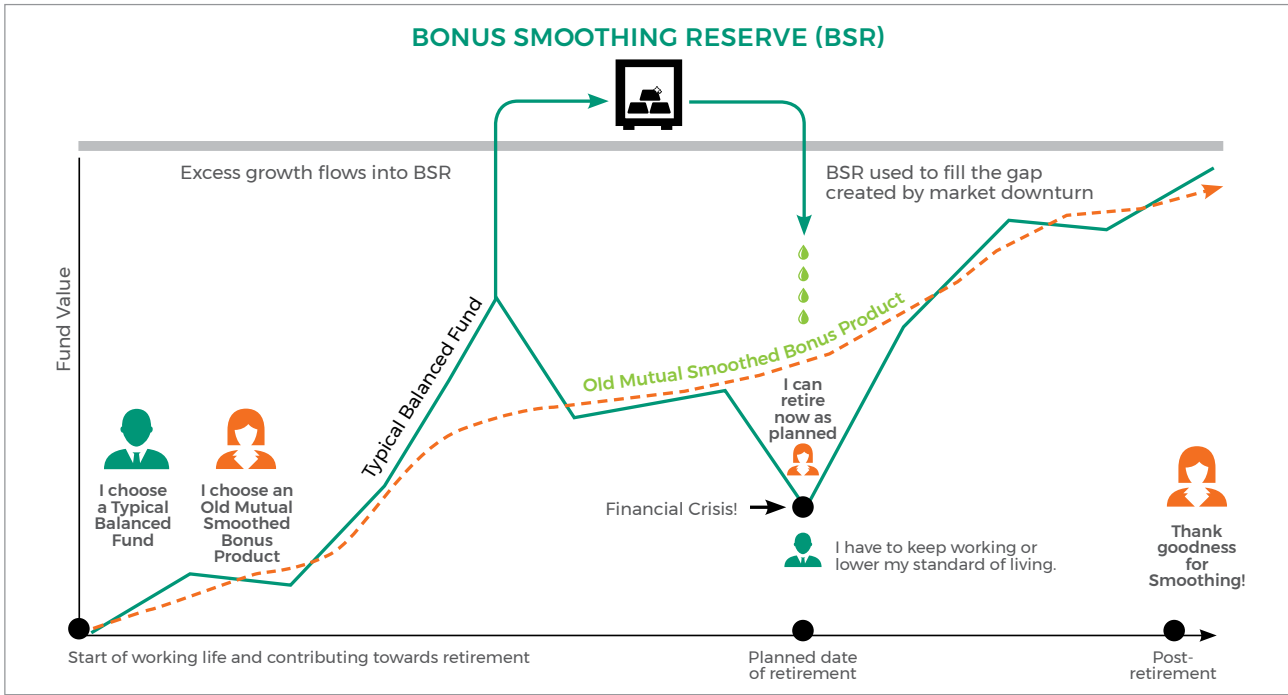
THE VALUE OF A GUARANTEE FROM OLD MUTUAL

The Old Mutual smoothed bonus funds offer a choice of guarantees to suit a variety of risk and reward preferences. These put a limit on the negative returns that each investor can experience.

The Old Mutual Group provides these guarantees and holds more than enough capital to back them. In fact, we have the highest guarantee rating in South Africa (AAA) so you know that you can depend on us.

WHY IS IT IMPORTANT TO LIMIT THE UPS AND DOWNS?

One of the biggest risks to any investment is emotional decision-making. Research done by behavioural finance



experts has shown that a lot of people don't achieve their investment goals because they make bad choices when they see their investments suddenly drop or rise in value.

A smoothed bonus fund, especially when combined with expert advice, helps to manage this emotion and keep you focused on your long-term goals by smoothing out these short-term ups and downs.

YOUR OLD MUTUAL SMOOTHED BONUS FUND OPTIONS

Old Mutual has been offering smoothed bonus funds for almost 50 years. During that time, we have become the industry standard for these types of funds thanks to our pioneering of various market leading fund features as well as our solid track record of delivering positive returns through all market conditions.

The table 1 shows the funds we offer retail investors through our MAX Investments and Old Mutual Wealth platforms:

Table 1	OLD MUTUAL WEALTH				MAX INVESTMENTS			
	Investment Plan (LIFE)	Retirement Annuity	Preservation Fund	Living Annuity	Investment Plan (LIFE)	Retirement Annuity	Preservation Fund	Living Annuity
Smoothed Performance Life Fund	✓	✓	✓	✓	✓	✓		✓
Absolute Growth Portfolio	✓	✓	✓	✓	✓	✓		✓
Core Growth Fund		✓		✓				

The table 2 shows the funds we offer institutional investors through our Old Mutual Corporate platform.

Table 2	OLD MUTUAL CORPORATE		
	Pension Fund	Provident Fund	Preservation Fund
Absolute Growth Portfolio	✓	✓	✓
Core Growth Fund	✓	✓	✓

For more information about the Old Mutual Smoothed Bonus Funds and how they can grow and protect your most important investments, speak to your financial adviser or broker or visit oldmutual.co.za/smoothedbonus

