

# FAIRBAIRN CAPITAL FIXED BONDS

## FUND FACT SHEET



### FUND OVERVIEW

Fixed Bonds are fixed-term investments in which both the invested capital and the growth at maturity are guaranteed by Old Mutual Life Assurance Company South Africa (Old Mutual).

Fixed Bonds allow customers to invest at a given rate at the time of investment for a specified term, giving them the opportunity to take advantage of current bond rates – particularly if future investment rates look set to decline.

The Fixed Bond rates offered are indicative of the current investment environment and the proceeds payable at the end of the term are determined at the outset and are based on a guaranteed, fixed growth net of tax.

Fixed Bonds offer absolute peace of mind in that the investor knows exactly the returns or growth they will be receiving and can rely on this. For this reason the Fixed Bonds also make an ideal 'parking vehicle' for funds.

### GUARANTEED INCOME, GUARANTEED CAPITAL

A capital guaranteed income option is available through the Investment Frontiers Income Portfolio. A portion of the investment is invested into a Fixed Bond so that the guaranteed maturity value after the investment term is equivalent to the total capital invested (thus guaranteeing the initial capital). The balance of the investment is utilised to purchase a term-certain annuity to generate the guaranteed income. Clients can choose from an income escalation rate of 0%, 5%, 7.5%, 10%, 15% or 20% and different income frequencies.

### INVESTOR PROFILE

Fixed Bonds are aimed at those investors wanting to invest in a guaranteed fund for 3, 4 or 5 years; who require a low risk

investment with a pre-quantifiable outcome and who are looking to protect the initial capital amount invested within a broader investment plan.

### Fixed Bonds are ideal for:

- Investors who have used up their tax-free interest allowance
- High marginal rate tax payers
- Risk-averse investors wanting highest possible after-tax guaranteed return\*

\*Note that tax applies in the case of a withdrawal from a Retirement Annuity

### INVESTMENT MATURITY TERMS

Fixed Bonds are available for 3, 4 and 5 year terms. This provides more flexibility than most other Fixed Bonds.

### BENEFITS

#### Security

The capital invested, as well as the growth return, is guaranteed by Old Mutual. Old Mutual has an excellent credit rating, and this should play an important role in deciding which company to entrust with guaranteeing your investment money at a future date.

The Fixed Bond guarantee:

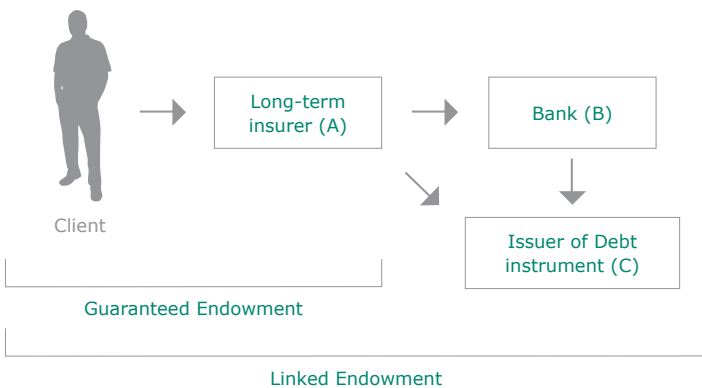
While there are other products available on the market that claim guaranteed returns over fixed terms; it should be noted that many such products (such as linked endowments), while quoting a maturity value, may likely be subject to the performance of the underlying assets with one or more other parties.

The Fairbairn Capital Fixed Bonds are managed only by Old Mutual, thus reducing the number of parties involved and at risk.



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As one of the best capitalised life assurers in South Africa, with a consistently outstanding rating from credit-rating agencies, Old Mutual offers a Fixed Bond guarantee that investors can have great confidence in.



### Counterparty risk

Many linked investments can introduce additional counterparty risk to a potential investor. Counterparty risk is the risk to each party of a contract that the counterparty will not live up to its contractual obligations. In most financial contracts, counterparty risk is known as "default risk". (Investopedia)

### Pre-quantified outcome

Knowing exactly what the investment will deliver at a specific time allows investors to plan such investments into their financial strategy and future with absolute certainty.

### Tax-efficient returns

Fixed Bonds may provide a tax-efficient return as the guaranteed rate is net of tax and maturity proceeds are not taxable in the hands of investors. Fixed Bonds come with all the potential tax advantages of investing via the Investment Frontiers platform – the guaranteed maturity value is not taxable on withdrawal, and the guaranteed returns are quoted after deduction of tax.\* This means that the quoted investment values are not diluted in any way by taxation – you get exactly what you see.

### Interest rate hedge

Since the outcome of a Fixed Bond investment will not vary, irrespective of the market performance and conditions, this is an ideal vehicle should interest rates decline by more than the market anticipates at the time of investment.

\*Note that tax applies in the case of a withdrawal from a Retirement Annuity.

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#### For Unit Trust funds only:

Unit trusts are generally medium to long-term investments. The value of the units may go down as well as up and past performance is not necessarily a guide to the future. Unit trusts are traded at ruling prices. A schedule of fees and charges and maximum commissions is available on request from the management company. Commission and incentives may be paid, and if so, would be included in the overall costs. Forward pricing is used. In the case of Money Market Funds, a constant unit price will be maintained.

#### Other funds:

These are generally medium to long-term investments. The value of the units may go down as well as up and past performance is not necessarily a guide to the future.

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