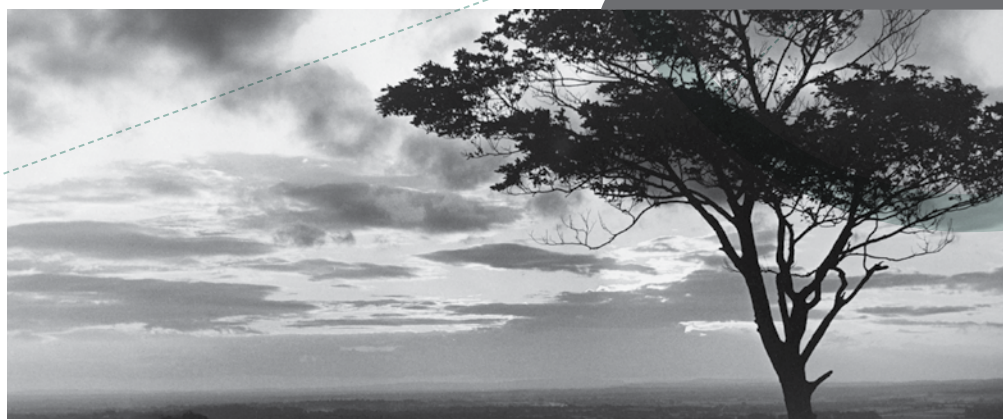


FAIRBAIRN CAPITAL SMOOTHED FUNDS

FUND FACT SHEET



FUND OVERVIEW

Smoothed funds are designed to smooth out fluctuations in the market and offer an optimal combination – targeting steady inflation-beating growth and also providing varying levels of capital protection (depending on your needs).

Smoothed funds help to minimise an investor's reaction to emotion-driven market activity and keep them focussed on their long-term investment objective. These funds do this by reducing the volatility usually associated with equity and market-linked investments, as well as offering the potential for positive bonuses during times of poor performance.

INVESTOR PROFILE

In Old Mutual's unique Investment Objective categorisation, smoothed funds fit as solutions in the Stable Growth objective category. Such investors are categorised by a combination of the following:

- want modest growth on the capital invested;
- want long-term returns greater than inflation;
- willing to accept only a moderate level of capital volatility; and
- want a moderate income stream (where income need is applicable).

OLD MUTUAL'S SUITE OF SMOOTHED FUNDS

Open to new investors

- Absolute Smoothed Growth Portfolio
- Smoothed Performance Fund
- EBGF
- Core Growth

Closed to new investors

- Smoothed Bonus Fund
- Stabilised Investment Fund
- Smoothed Growth Fund

FEATURES & BENEFITS

- These funds offer exposure to the growth potential in the markets while significantly reducing shorter term downside risk.
- Only available through Life wrapped policies and retirement

products, they aim to offer investors inflation-beating returns over the longer term, an offer sweetened by a range of different minimum investment return guarantees.

- Structurally, smoothed funds are asset allocation funds that can invest across the entire spectrum of local and international asset classes – equity, property, fixed interest instruments and alternative investments – in order to achieve inflation-beating investment returns.
- While exposed to market volatility via their underlying assets, smoothed funds aim to smooth out fluctuations in the market returns of the underlying assets using a bonus smoothing mechanism. Smoothing decreases the impact of the volatility associated with a typical balanced fund through the use of bonuses that are used to allocate investment returns to individual investors. In times of positive performance a portion of the returns is placed in reserve in a Bonus Smoothing Account (BSA) to ensure less volatile returns in future times of poor or negative performance.

BONUSES

Bonuses are declared based on the recommendation of the Statutory Actuary* and are reviewed by a sub-committee of the Old Mutual Board of Directors.

There are two main classes of smoothed fund available to Old Mutual retail investors, each of which has particular features when it comes to declaring bonuses:

- Smoothed funds with annual bonus declarations
- Smoothed funds with monthly bonus declarations

*The Long-Term Insurance Act of 1998 requires that the insured appoints an actuary, approved by the Registrar, to undertake the calculations and valuations pertaining to the Fund.

Funds with annual declarations

These funds include the Smoothed Performance Fund, the EBGF and all the smoothed funds closed to new business. For these funds, at the end of each Fund Year (the dates vary, but it is a set calendar year), bonuses are declared retrospectively according to the investment performance over that particular year.

In declaring the bonus, consideration is given to the level of the fund's reserves (the BSA), the outlook for future returns, and the level of bonuses declared by competitors. The goal is to ensure



FAIRBAIRN CAPITAL SMOOTHED FUNDS

that investors continue to receive inflation-beating returns in the long-run, and that the ups and the downs of the markets are smoothed out.

Interim bonuses

The interim bonus rate sets the investment return that policies that mature during the Fund Year will attract. It is also applied to determine values in the event of claims or disinvestments in this period. During the Fund Year, the interim bonus rate may be adjusted up or down, according to market conditions, with the aim of ensuring that investors receive an equitable return should they leave the fund for whatever reason during the Fund Year.

An interim bonus rate for the current Fund Year is set at the time of the final bonus declaration for the previous Fund Year. The rate is set in line with expectations of the final bonus for the current Fund Year based on the growth projections for the year ahead, and also taking into account the level of the fund's reserves (BSA).

At final bonus declaration time, the final bonus is usually higher than or the same as the interim bonus rate and each policy's fund value is adjusted upwards accordingly. The converse occasionally applies.

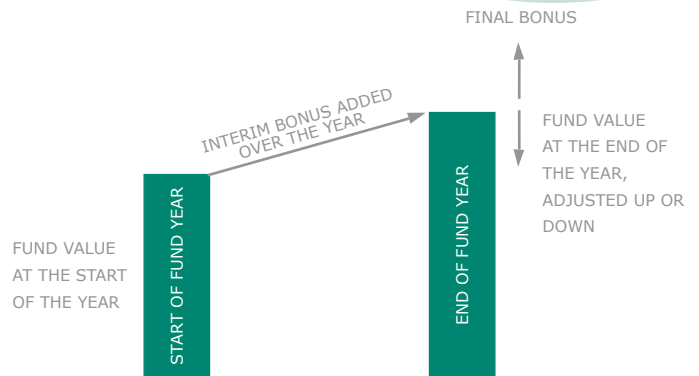
Funds with monthly declarations

These funds are the Absolute Smoothed Growth Portfolio and the CoreGrowth Fund.

Bonuses within these funds are declared monthly in advance. In the case of the Absolute Smoothed Growth Portfolio a formula is used to determine the bonus declared each month, with the long-term goal of meeting the fund's performance target. Old Mutual does, however, reserve the right to depart from the formula and use discretion in exceptional circumstances. For the CoreGrowth Fund, the bonuses are determined with reference to the level of the fund's reserves (the BSA), the outlook for future returns, and the level of bonuses declared by competitors. The goal is to ensure that investors continue to receive inflation-beating returns in the long-run, and that the ups and the downs of the markets are smoothed out.

The diagram illustrates the relationship between interim and final bonuses for all the funds with annual bonus declarations

- The Long-Term Insurance Act of 1998 requires that the insured appoints an actuary, approved by the Registrar, to undertake the calculations and valuations pertaining to the Fund.



MARKET VALUE ADJUSTER (MVA)

A Market Value Adjuster (MVA) may apply to investors who withdraw from a smoothed fund other than through contractual retirement or maturity, or through death or an income annuity payment. After periods of particularly poor investment returns in the markets, when the market value of the assets within a smoothed fund is less than the smoothed value of the fund, the amount received when making a non-contractual withdrawal from the fund may be adjusted downward. An exception may be made if the early termination of the policy is due to the death of the investor.

An MVA is not applied when the market value of the fund's assets exceed its smoothed value. It can be said that investors making an early exit from the fund are surrendering their right to the long-term benefits of smoothing and receive the market-related value and its associated volatility risk.

Notes:

- MVAs only apply to investors who exit the fund prior to their maturity or contractual end date.
- The MVA does not benefit Old Mutual's shareholders - it simply protects remaining investors in the smoothed fund.
- The value of the adjustment is credited to the BSA to help support future bonuses for remaining investors.

The MVA is designed to protect future bonus levels for investors remaining in a smoothed fund. If this adjustment was not in place, early exits would be rewarded with inflated withdrawal amounts while those who remain invested would receive correspondingly reduced bonuses in the future.

This guide has been compiled as an information document and is based on information available. Fairbairn Capital and/or Old Mutual does not accept liability for any loss, damage or expense that may be incurred as a direct or indirect consequence of reliance placed upon this guide. Any reference to Fairbairn Capital, Investment Frontiers and/or Old Mutual constitutes reference to Old Mutual Life Assurance Company (South Africa) Limited.

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.

OMIS (Pty) Ltd is a member of the Old Mutual Group and is a licensed Administrative Financial Services Provider. Mutualpark, Jan Smuts Drive, Pinelands 7405. PO Box 617, Howard Place, Cape Town 7450. Tel 0860 300 000, Fax 0860 400 000. E-mail service@fairbairncapital.com, www.fairbairncapital.com