



There are more than one million Old Mutual customers invested in our range of retail Smoothed funds – and they're all smiling!

Old Mutual Smoothed fund investor

Market-linked fund investor

Positive bonus declarations of up to 6.2% for 2008

Return of up to 15.9% p.a. for last 3 years in Old Mutual Smoothed funds ¹

24 year track record – no negative returns & returns average 5% p.a. more than inflation

Minimum return guarantees – priceless!

Backed by strength of AAA-rated Old Mutual's capital

Negative total return from JSE All Share Index of 23.2% for 2008

Return of 13.0% p.a. for last 3 years in top-performing Balanced unit trust fund ²

Full exposure to the ups and downs of the markets

No minimum return guarantees

Old Mutual Smoothed fund declarations for 2008

For 2008, Old Mutual declared a total bonus of 6.2% for investors in the retirement portfolio of its Flexi Smoothed Bonus Fund (net of investment fund charges). Retirement investors have earned this return in the context of a negative 23.2% total return from the JSE All Share Index. But, it is long-term growth above inflation that creates wealth for our clients. The returns enjoyed over the last 3 years by untaxed investors in the Smoothed Bonus Fund of 15.9% p.a. have been 2.9% p.a. better than the returns of the top-performing unit trust Balanced fund and almost 8% p.a. above inflation. In fact the Smoothed Bonus Fund has now seen its 24th consecutive year of positive declarations. And with returns since inception averaging 5% p.a. more than inflation, there can be little doubt that this fund has helped many investors in building their investment value without incurring undue risk in the process.

**Positive returns for
24 consecutive
years – average of
5% pa growth in
excess of inflation³**

Details of the rates declared on the range of portfolios, are in the tables on page 4.

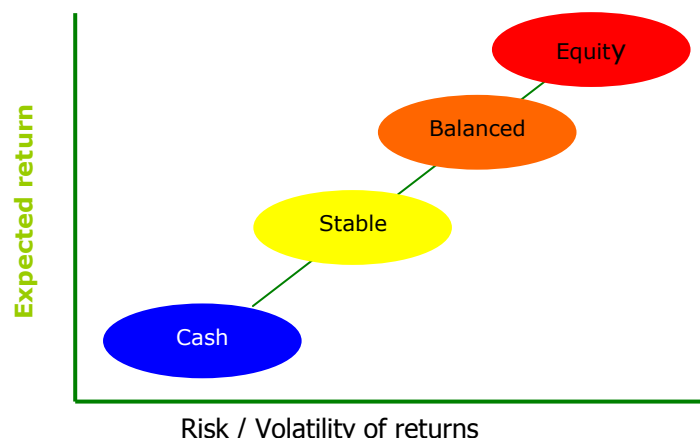
Why invest in a Smoothed fund?

Smoothed funds are designed to smooth out fluctuations in the market returns of the underlying assets, namely equity, property, fixed interest instruments and alternative investments. Smoothed bonus funds offer an attractive combination – targeting steady inflation-beating growth and also providing varying levels of capital protection.

Smoothed funds remain probably the most efficient and well-proven strategy to achieve the ultimate goal of all investors – good risk-adjusted returns. Put another way, they allow investors to benefit from the upside potential of exposure to growth assets such as equities and property, but with significantly lower risk (or volatility of returns) than that normally associated with investing in these asset classes.

How is this possible?

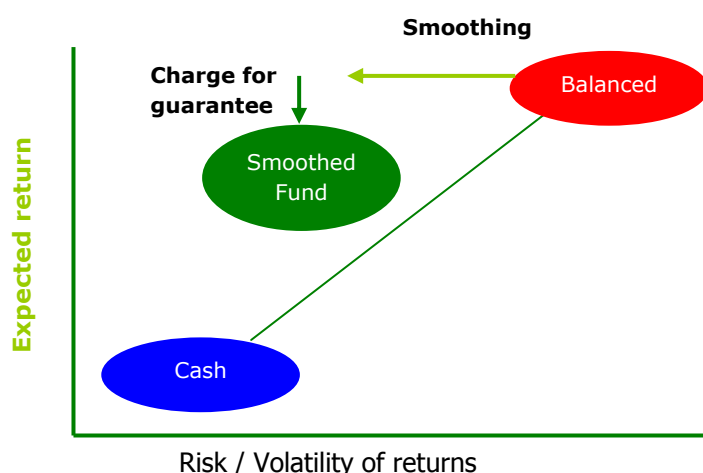
The normal price of targeting higher expected returns from your investment is increased volatility in those returns in the short-term. This simple trade-off is illustrated to the right: Moving from cash to a market-linked Stable or Balanced fund, and then to equities increases expected long-term returns, but comes at the price of increased volatility in these returns in the short-term.



Smoothed funds have similar investment mandates to market-linked Balanced funds. This means that the long-term returns generated in Smoothed funds are expected to be similar to the inflation-beating returns available in a market-linked Balanced fund. On the face of it one might also expect that you experience the same level of volatility in returns in the short-term. So is there any point to investing in a Smoothed fund?

Investment returns for “free”!

Smoothed funds are able to overcome the usual risk vs. return trade-off through a combination of their smoothing mechanism and the guarantees they usually provide. As illustrated below, they reduce the volatility associated with achieving the returns generated in a market-linked Balanced fund. This means that a portion of the expected



returns generated by exposure to riskier assets such as equities is earned for “free” – i.e. without the usual price of an increase in the short-term volatility of the returns!

Of course there are also other funds that aim to deliver investment returns with lower risk (volatility). However the difference is that these funds typically do so by investing more in cash – which reduces volatility

risk but carries a significant opportunity cost in terms of expected returns. For example, an investor that was invested in cash over the last 5 years would have experienced lower volatility in their returns but these returns would have been lower returns than those available in the equity market.

Where guarantees are provided, there is an additional charge for this, but the smoothing mechanism itself does not come at the cost of a reduction in long-term expected returns.

Why is the reduced volatility of returns that Smoothed funds provide important?

Behavioural Finance experts tell us that one of the biggest contributors to clients not achieving their investment goals is the influence of emotions on their decision-making.

Smoothed funds, together with an advice partner, help to overcome the influence of emotions and keep clients focused on their long-term objectives by reducing the volatility normally associated with investment in growth assets such as equities and property.

The Bonus Rates

The tables below indicate the final bonus declarations for the period 1 January 2008 to 31 December 2008. The interim bonus is applicable from 1 January 2009 to the next bonus declaration. These bonus rates apply to investors who invested via the **Old Mutual Retail products**, and who remained invested in the fund at the date of the bonus declaration.

Smoothed Bonus Fund: Flexi				
	Private Investor (Endowment & Whole Life)	Retirement Fund	Tax-Exempt Investor	Corporate Investor
Vesting Portion (2008)	2.0%	3.2%	3.2%	1.8%
Bonus (2008)	5.0%	6.2%	6.2%	4.8%
Interim Bonus (2009)	5.0%	6.2%	6.2%	4.8%

Smoothed Fund: Investment Frontiers				
	Private Investor	Retirement Fund	Tax-Exempt Investor	Corporate Investor
Bonus (2008)	5.0%	6.2%	6.2%	4.8%
Interim Bonus (2009)	5.0%	6.2%	6.2%	4.8%

Stabilised Investment Fund: Investment Frontiers & Investment Horizons				
	Private Investor	Retirement Fund	Tax-Exempt Investor	Corporate Investor
Bonus (2008)	5.0%	6.2%	6.2%	4.8%
Interim Bonus (2009)	5.0%	6.2%	6.2%	4.8%

Smoothed Performance Fund: Investment Frontiers, Investment Horizons, Max Investments, Max Income				
	Private Investor	Retirement Fund	Tax-Exempt Investor	Corporate Investor
Bonus (2008)	5.0%	6.2%	6.2%	4.8%
Interim Bonus (2009)	5.0%	6.2%	6.2%	4.8%

Smoothed Growth Fund: Essential Savings				
	Private Investor	Retirement Fund	Tax-Exempt Investor	Corporate Investor
Bonus (2008)	5.0%	6.2%	6.2%	4.8%
Interim Bonus (2009)	5.0%	6.2%	6.2%	4.8%

Notes:

(1) The interim bonus rate is set for the year ahead with the aim of providing a fair return to policyholders who exit the fund owing to contractual claims prior to the next bonus declaration. This interim rate is applied from 1 January 2009 and can change during the course of the year.

(2) Bonuses for investors in the newer generation products may differ from those in the Flexi products, as the two sets of funds are managed separately in accordance with Old Mutual's Principles and Practices of Financial Management. Bonuses for the Flexi and new generation smoothed funds are based on the separate performance of each of the funds respectively.

(3) These rates apply to South African policies only (separate rates apply to Namibia).

The impact on existing investors

The interim bonus rates were changed once during 2008, in order to reflect the performance of the assets backing the various smoothed funds. All changes are always applied retrospectively to the beginning of the year. For example, the change for the Flexi Smoothed Bonus Fund for retirement fund investors was:

- Decrease from 8.2% to 6.2% on 10 November 2008;

The final bonus rates declared for 2008 are the same as the interim rates for all the smoothed funds.

Where can I find our more information on investing in Old Mutual's range of smoothed funds?

For more information on how to invest in Old Mutual's range of smoothed funds, visit www.oldmutual.co.za/smoothedfunds or www.fairbairncapital.com, or consult your Investment Product Specialist.

For more information on the Principles and Practices of Financial Management used in the management of Old Mutual's smoothed funds visit www.oldmutual.co.za/personalppfm.

¹ Based on untaxed investors in Smoothed Performance Fund

² Source: Standard & Poors Fund Services (to 31 December 2008)

³ Based on Flexi Smoothed Bonus Fund, which was launched in 1984.

Other figures from Old Mutual Investment Group (SA) & Old Mutual Life Assurance Company (SA)