OLD MUTUAL SUPERFUND: **MEMBER INVESTMENT UPDATE**

Live Longer,
Laugh at how easy it is to understand investments,
Love how much your retirement savings can grow.

QUARTER 2 • 2016

HALFWAY MARK!!!

We are almost halfway through the year, and what a few months this has been already. It is expected that the foreseeable future will remain challenging for investors.

We say this in every communication and it remains relevant irrespective of what the market is doing or what we expect it will do: we need to keep a long-term perspective in our investment decisions and not be distracted by market movements. This quarterly update will highlight some Golden Rules to keep in mind and think about when managing your retirement savings and these are underpinned by the power of compound interest.

THE EARLY BIRD CATCHES THE WORM

An age old saying, but what does this have to do with my retirement savings? Simply put you will have an advantage if you do something immediately or before anyone else does. An unfair advantage you might say, but it's true.

Start saving early because the sooner you start to save, the less you have to save per month.

A PENNY SAVED IS A PENNY EARNED

Contribute the maximum that your company's retirement fund allows and when you do change jobs, DO NOT take your retirement savings in cash, as tempting as it may be.

The bottom line is that you must save as much as you can, from as early as possible, for as long as possible, to make the most of your retirement contributions.

MONEY DOESN'T GROW ON TREES

If you eat an apple from a tree, more apples will continue to grow. But your money doesn't "grow back" after you have spent it. Once you spend money, it's gone! In a majority of households across the country our spending is more than we can really afford.

As hard as it is, you must spend less than you earn and pay yourself first.

IT'S BETTER TO BE SAFE THAN TO BE SORRY

As a member of a retirement savings scheme the worst that can happen to you is not having enough money available to you when you retire. Like everything else in the world it is always safer to put a seatbelt on before you travel in a car or to make sure the front door is locked before going to bed.

Be careful with your retirement savings and plan ahead taking into account the above rules. You are your own greatest asset and only you are in control of your financial future.

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8TH WONDER OF THE WORLD

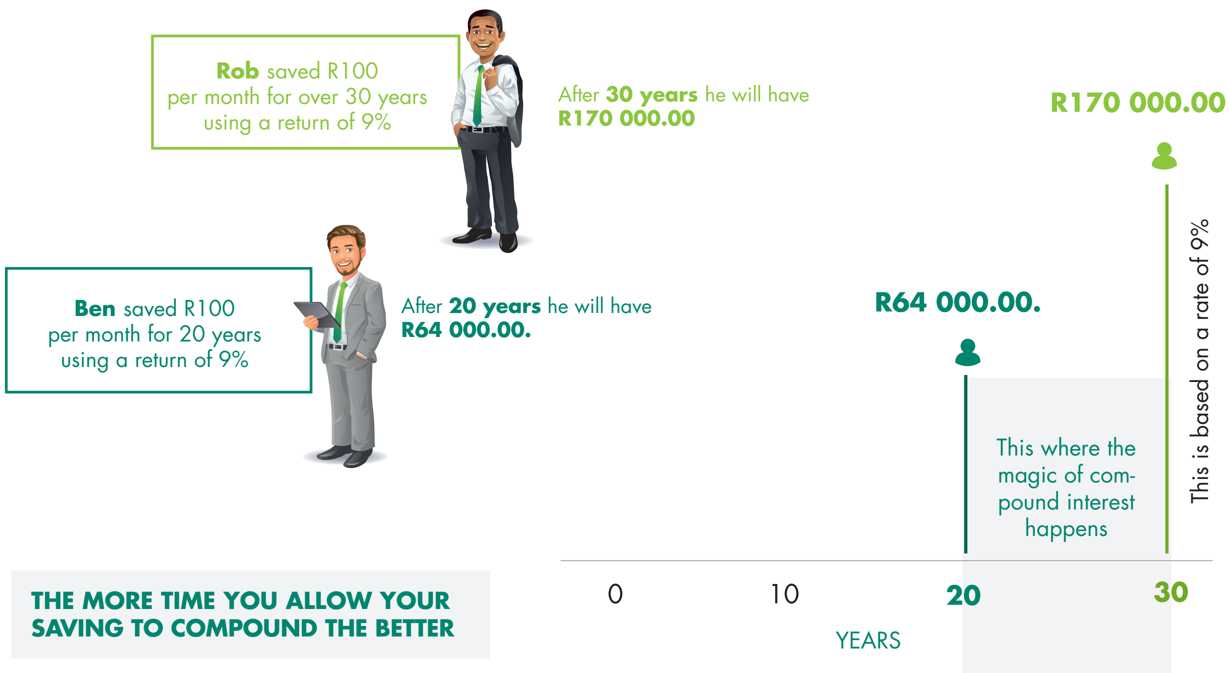
And it is… compound interest! It doesn't care how old you are, who you are, where you grew up, your gender, beliefs or how much money you have, it affects everyone the same because it depends on time.

While it's busy working for you (and we will show some examples later on), it teaches you patience. You won't see the results overnight but over time you will and that is a fact.

Let's consider two members, named Ben and Rob. They both saved R100 per month and earned an effective return of 9% per annum. The difference between Ben and Rob (besides not supporting the same soccer team) is that Ben saved the same amount for 20 years while Rob did it for 30 years.

After 20 years Ben's savings with the investment growth became almost R 64 000 whereas Rob's savings were more than double Ben's having grown to slightly more than R 170 000!

HOW COMPOUND INTEREST **CAN WORK FOR YOU**

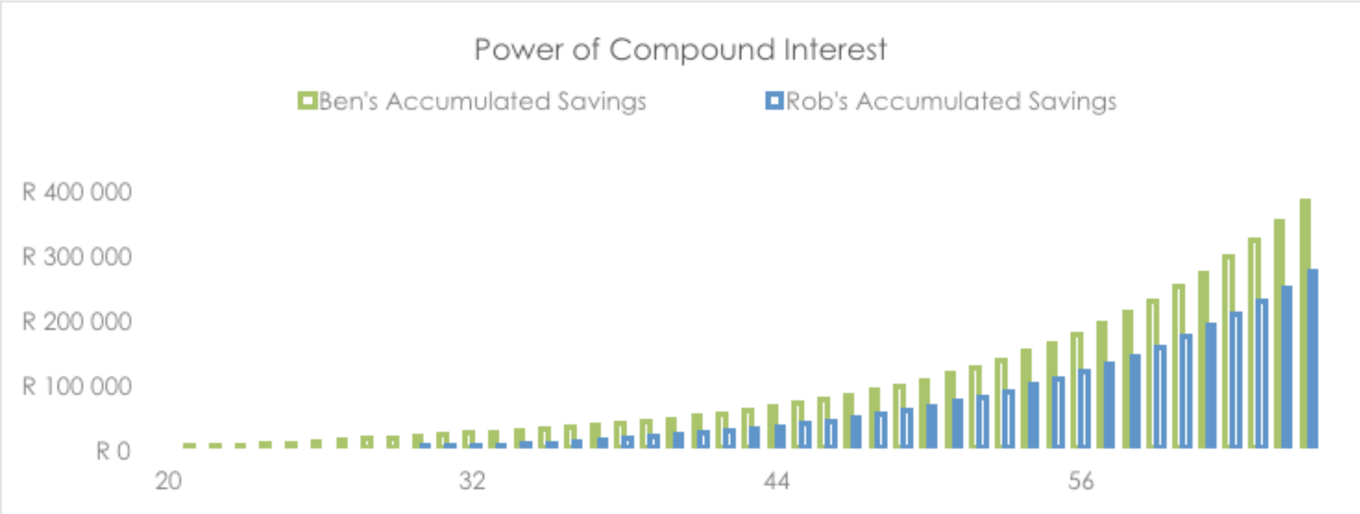


This simple example shows you that the more time you allow your savings to grow (or compound) the better!

Another example we want to share with you is what happens if you start saving early. Again let's use Ben and Rob (Ben is not only disappointed because he has now realised that he will have saved less than Rob but his team has also lost the premiership game against Rob's)

This example assumes that Ben started saving R100 per month from the age of 20 and he did this every month for the next 10 years (or age 30) and then stopped, leaving his money invested. Rob on the other hand only started saving from the age of 30 and did so until the day before he retired.

That means that Ben had made only 120 equal payments of R100 and Rob made 420 equal payments. At their joint retirement birthday party Ben and Rob receives their money and Rob is blown away to see that Ben's savings is almost 1.5 times more than his!



This example just goes to show that how saving early on benefits you more than waiting for another day to start saving.

WHAT SHOULD YOU DO?

Start saving as much as you can, as early as you can, for as long as you can!

ABSOLUTE STABLE GROWTH PORTFOLIO

The Old Mutual Absolute Stable Growth Portfolio is the Management Board's choice of investment portfolio for members who do not want to decide for themselves. It is a smoothed bonus portfolio, which aims to provide competitive long-term returns with lower volatility than you would get if you were subject to market returns and an underlying guarantee that the value cannot fall more than 20%.

Over the long-term, you would expect to earn similar returns to a comparable market-linked fund – just with fewer ups and downs. It does this because of smoothing.

Smoothing is a tool that is used to turn unstable market returns into smoothed returns, also called bonuses. These returns will give a smooth progression of the value of your investment over time. These bonuses are calculated using a simple and transparent formula. The benefit of this formula is that it smoothes growth over time and reduces the impact of market ups and downs on your retirement savings.

WRAPPING UP

We hope this Investment Update has helped explain the power of compound interest as well as reminding you of the golden rules that apply when it comes to any savings. Look out for the next Investment Update in the 3rd quarter of 2016. Until then… continue saving and do so early and for as long and as much as you can!

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