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.

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We have survived another turbulent 2nd quarter of the year and in doing so have experienced a much appreciated interest rate cut of 0.25%, which is probably making most of us smile. This means we have a little bit more to save towards retirement.

So let's talk about…

HOW DO SHORT TERM GAINS OR LOSSES AFFECT YOUR LONG TERM SAVINGS FOR RETIRING?

Always remember that your retirement fund savings is a long-term investment. One should therefore never make emotional decisions based on poor performance of the markets over a short-term period or for that matter if performance over the short term has been very good.

Always keep in mind that your selection of investment portfolios depends on your attitude towards risk, the number of years of service you have left until you retire and other aspects of your own financial planning. Remember, as you approach your retirement age your financial needs may change and so too may your attitude towards risk and return.

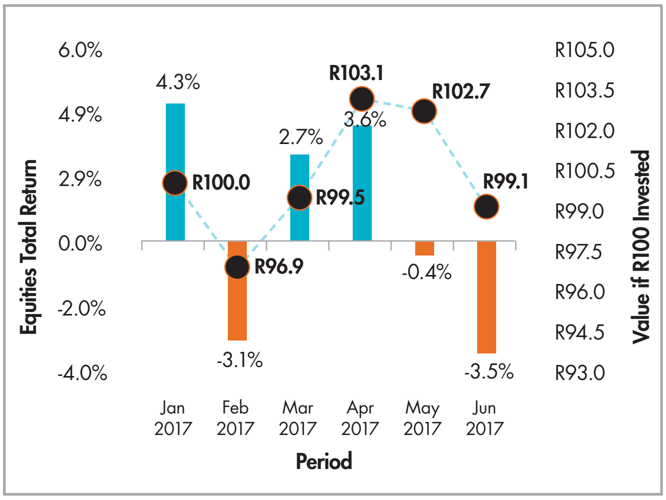
When you invest money into your retirement fund it should be with a long-term outlook, whether you are 5 years or 20 years from retirement. When the markets underperform it is natural to be concerned about how this affects the hard earned money that you are putting away for the day when you retire. Remember that when markets underperform it is possible that your fund will take a knock, depending on its overall exposure to equities. It is therefore important to stick to your long-term investment strategy and keep your eye on the end target!

WHAT ARE EQUITIES YOU MAY ASK?

A company, who wants to raise money in order to develop its business, issues shares (also called equities). Investors buy and sell these shares (called trading) in order to make a return on their investment. Equities are considered one of the best asset classes to achieve superior long-term returns (what we call "growth assets"), but the price at which they are traded can move considerably in the short term – up or down.

The example below clearly illustrates the impact of short-term movements and why one should never make rash decisions:

Looking at the last 6 months' equity returns and assuming you invested R100 in January 2017, during February you would have lost R3.10 but you would have made up your losses and gained R3.10 by the end of April 2017.



Equities are not the only type of asset in which your fund invests: it also invests in bonds (loans to government or companies), property, "cash" (mostly short-term deposits with banks) and other assets. Some of these are also traded on the Stock Exchange and their prices move up and down with the market.

The various types of assets often behave differently: when equities lose value, for example, bonds may gain in value.

The investment returns that you earn are driven by the returns earned on the different types of assets in the investment portfolio(s) in which your retirement fund savings are invested. These portfolios do not hold the different types of assets in the same proportion: for example, if your investment portfolio has a higher allocation towards equity, and equity markets fall, then you may earn less investment returns than if you had a lower allocation towards equities.

This is why diversification is important as poorer equity returns will hopefully be offset by better returns from other asset classes (such as bonds, property and "cash").

DON'T SWEAT THE SMALL STUFF…

If you are someone who follows your retirement fund savings balance on a daily basis, bear in mind that there is a bigger picture. Rather consider the quality of your investments than the short-term performance of the markets. Short-term losses should be balanced by long-term gains if you remain invested and don't get spooked into switching at the wrong time. A long-term outlook and sound investment philosophy is critical.

A HOT TIP? WHAT HOT TIP? HOW DO I GET IN?

You should be careful about picking up tips from conversations around the braai. When investing your retirement fund savings, contact a reputable financial adviser who can provide you with sound financial advice about investments. Don't forget that your retirement savings are a long-term investment and sticking with a long-term outlook, riding the wave of short-term instability, will make it worthwhile in the longer term.

So plan ahead by taking the extra cash from the interest rate cut and put more money towards your retirement savings. Know that learning more about investments and the different types of assets will give you more control over your financial future.

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 smooths growth over time and reduces the impact of market ups and downs on your retirement savings.

We hope this will help you deal with the uncertain investment market.

WRAPPING UP…

We hope this Investment Update has helped you appreciate that it's not always sound to take too much notice of short-term gains and losses but to rather focus on the long-term when saving for retirement.

Look out for the next Investment Update in the 4th quarter of 2017. Until then… Keep your retirement focus on long term savings.

OLD MUTUAL CORPORATE

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