



## HOW WE MANAGE OUR INVESTMENT FUNDS – A SUMMARY OF OUR PRACTICES AND PRINCIPLES OF FINANCIAL MANAGEMENT

Your savings plan premiums, after charges, is paid into the Old Mutual Smoothed Bonus Fund (the fund).

This document explains at a high level how we manage the fund and how we declare bonuses. The fund aims to deliver returns (growth) that are protected from the ups and downs of the market using smoothing. These smoothed returns are called bonuses. The fund targets growth in line with inflation over the long term (10 years or more). This is not a guarantee but rather a target we aim to achieve most of the time.

### WHAT IS SMOOTHING AND WHAT ARE ITS BENEFITS?

Smoothing means that during times of good market performance, a portion of the investment growth is not declared as a bonus. Instead, we put it aside so that when investment growth is poor, there is money available to declare a higher bonus than would otherwise have been possible.

Any money put aside is only used for future bonuses declared to customers whose savings are invested in the fund at the time of declaring such future bonuses.

### HOW WE DECLARE BONUSSES

Although the fund is invested directly in the market, because of smoothing, the bonuses declared are not directly linked to the growth earned in the market. We decide on the level of the bonuses declared. Bonuses are not guaranteed and can be removed when markets deliver very poor growth.

How we declare the bonuses may change over time because of changes in the economy.

We declare bonuses after taking a number of factors into account, for example:

- The growth in the fund's investments.
- Bonuses declared in previous years.
- Market conditions (including inflation) and our view of them.

In February each year, an interim bonus for the year ahead and a final bonus for the past year are declared.

### Interim bonuses

At the start of the year an interim bonus is set. This is used to determine fund values during the year while the final bonus is not yet declared. We may change the interim bonus during the year if necessary. We will do this due to changes in economic conditions. The interim bonus is set cautiously to avoid a situation where the bonus declared is less than the interim bonus which will result in your fund value being decreased.

### Final bonuses



After the end of the year a final bonus is declared which will replace the interim bonus for the past year. Once we declare the final bonus, we will add it to your savings.

### **IS MY INVESTMENT GUARANTEED?**

At the end of the term of your plan, we will pay you at least the premiums that we received less withdrawals and all charges. This guarantee also applies if you die or we recognise your disability before the end of the term.

This guarantee does not apply to any other transaction before the end of the term (including surrenders and withdrawals).

### **WHAT HAPPENS IF MARKET RETURNS ARE LOW OR THERE IS A MARKET CRASH?**

#### **Actions we can take**

If markets deliver very poor returns, we may need to take action to make sure that we can continue to declare positive bonuses into the future. These actions could include:

- Interim bonuses may be reduced.
- Low or zero final bonuses may be declared.
- In an extreme situation bonuses declared in the past may be reversed and your fund value may be reduced.
- Market value adjustments may be applied.

#### **Market value adjustments**

In times of a serious financial crisis (for instance a very bad recession), Old Mutual may reduce the values it pays for part withdrawals and surrenders as a protective measure of future bonus levels for customers who leave their money invested until the end of their plan terms. Once the economy stabilises, Old Mutual will not reduce the part withdrawal and surrender values any more.

### **WHAT INVESTMENTS DOES THE FUND OWN?**

The fund invests your savings in a mix of local and global investments, such as shares, bonds, property and other investments.

### **WHERE CAN YOU FIND OUT MORE?**

This document is a summary of how we manage the fund and decide what bonuses to declare. A copy of Old Mutual's official Principles and Practices of Financial Management (PPFM) of Discretionary Participation Business, from which this guide is derived, is available on the Old Mutual website ([www.oldmutual.com.na](http://www.oldmutual.com.na)).

Although we try to present information in line with the PPFM and your plan, the PPFM and plan will apply where they differ from this summary.