LIBERTY LIFE

EXCELSIOR INVESTMENTS

Investments

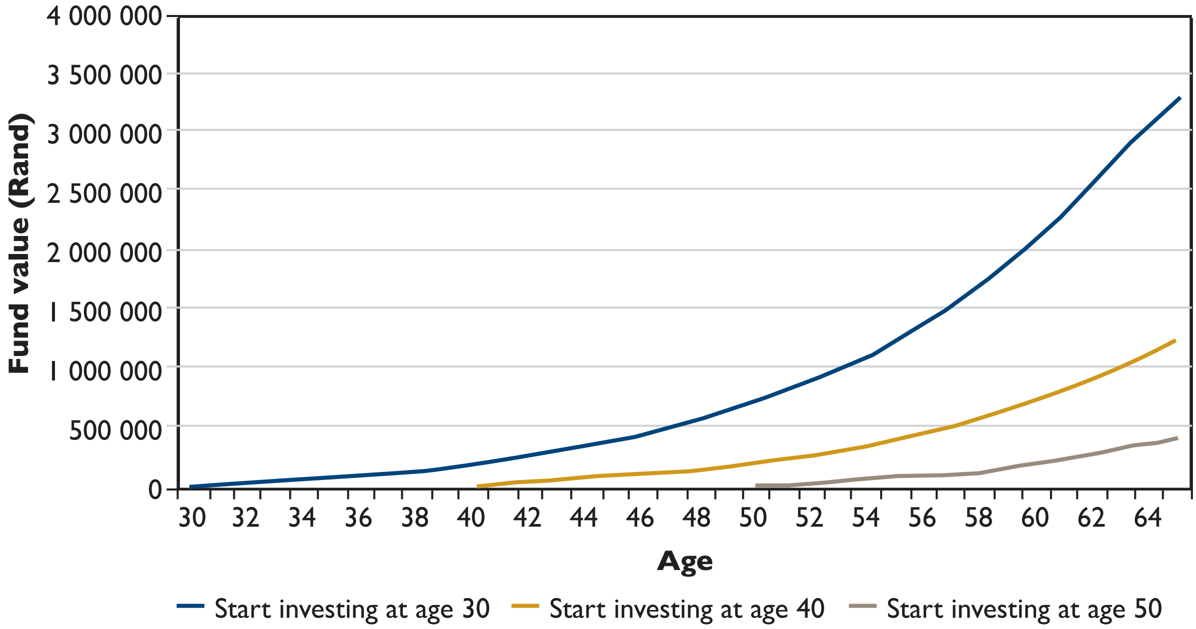
Getting the best out of your investments

Investment is not a game of chance. You have worked hard for your money, so you want your money to work hard for you. By adhering to a few tried and trusted investment principles, you will be well on your way.

1. The sooner you start the better

The sooner you start, the less you will have to invest on a monthly basis to achieve your ultimate financial goals because you have time and the power of compound interest to work for you.

Delay could cost you! The graph below illustrates the difference that time can make on the ultimate value of your investment. It shows the difference in the values at age 65 of investing R1 000 per month from ages 30, 40 and 50 (assuming a 10% per annum return). As you can see, the impact of investing for longer is significant.



Source: Liberty Life

Remember: You cannot build wealth overnight. Time in the market, and not timing the market, is important.

2. Determine your investment strategy

Whatever investment strategy you choose, it has an expected risk (as measured by the volatility of returns from month to month) and return profile. It is therefore important that, when setting your investment strategy, you understand:

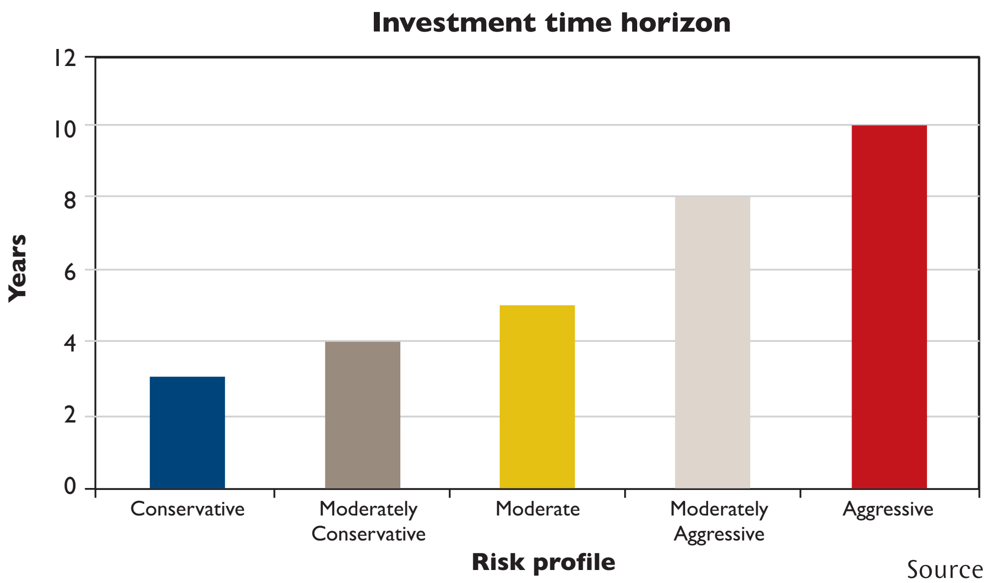
- your tolerance for short-term volatility
- your investment time horizon (how long you can leave the money invested before you will need it), and
- the long-term return you hope to achieve.

Investing in different asset classes will reduce investment risk. It is important to select an asset mix appropriate to your investment objectives and risk profile. This will allow you to achieve the long-term investment returns you expect within acceptable levels of short-term volatility.

Liberty Life has identified five different risk profiles ranging from conservative to aggressive. To assist you to match your portfolio choice with your investment strategy, Liberty Life has constructed South African and offshore portfolios to match each of these profiles.

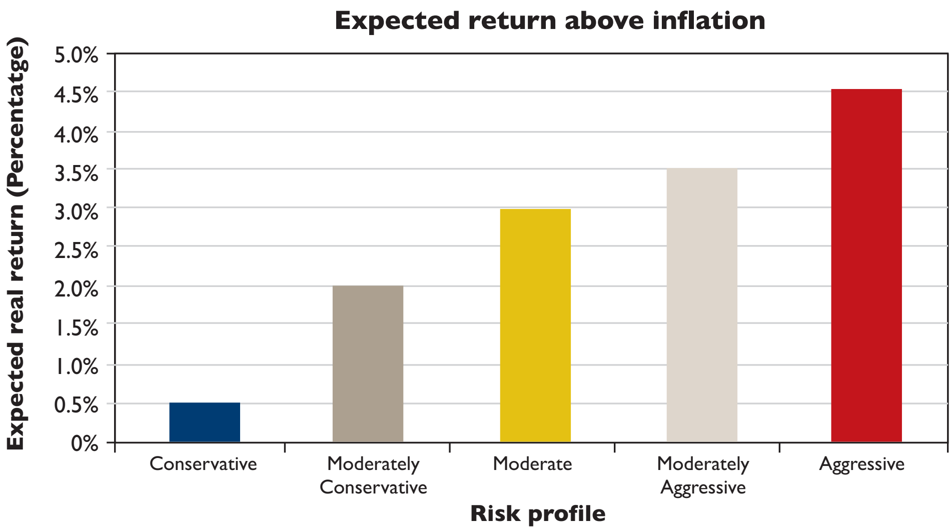
The key characteristics of each of these risk profiles are shown in the graphs below:

Investment time horizon – is the minimum period over which the investment should be held in order to achieve the expected returns.



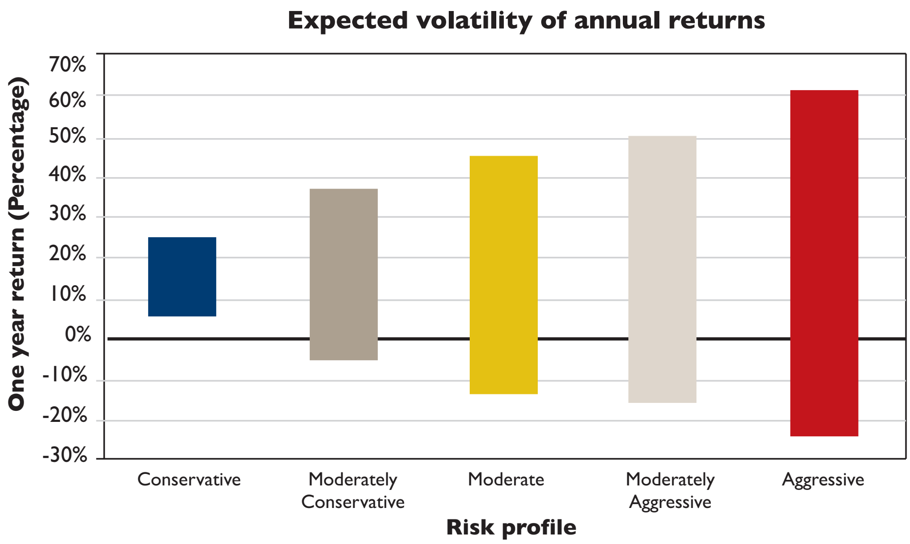
Source: Liberty Life

Expected return above inflation – illustrates the expected returns (after tax and charges) in excess of inflation that are targeted over the investment time horizon under each risk profile.



Source: Liberty Life

Expected volatility of annual returns – illustrates the simulated best and worst 1-year performance of the portfolios over the past 19 years. This gives the likely range of returns that can be expected from these various portfolios on an annual basis.



Source: Liberty Life

Remember: Your investment strategy will determine the appropriate asset mix for you. The key to successful investing is to have a clear investment strategy, and to stick to it.

3. *Invest globally to diversify investment risk*

Different markets and currencies perform differently at different times. By investing in a geographically diversified portfolio that includes local as well as offshore assets, you reduce investment risk and enhance the return achieved for a given level of risk.

Remember: Just as investing in different asset classes reduces investment risk, so does investing in a number of different countries and currencies.

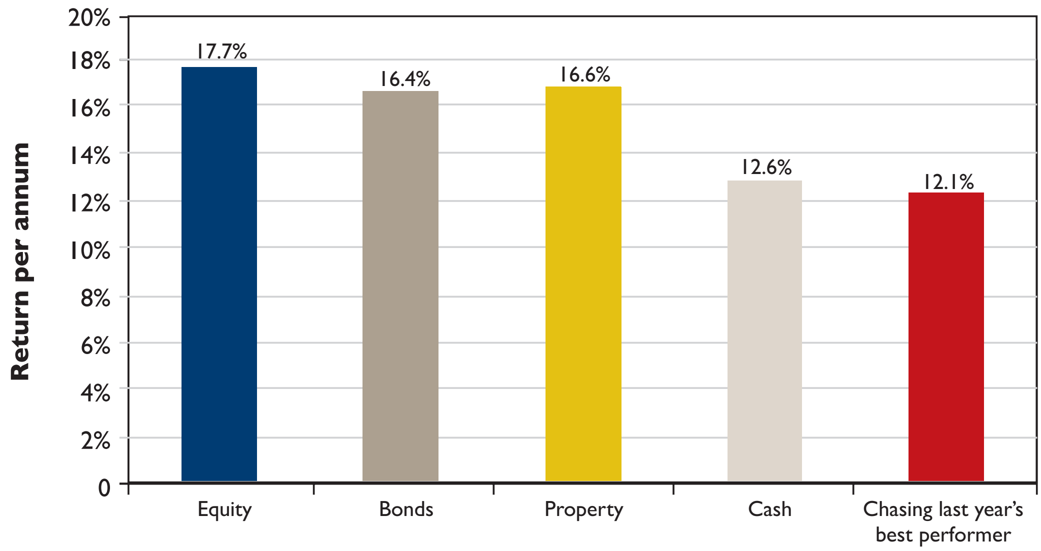
4. *Don't chase the best performers*

Some investors fear missing out on opportunities, so they continually switch into last year's best performers. Today's winner can be tomorrow's loser, so by chasing markets you can seriously burn your fingers!

If you try to chase the 'flavour' of the month or year, chances are that you have already missed the best performance and your investment will probably underperform in the short term.

The graph below shows the average pre-tax returns that you would have achieved over the last 19 years to 31 December 2005 if you had invested purely in equities, bonds, property or cash over this period, compared to the returns you would have achieved if you had switched into the previous year's best performer each year.

As you can see from the graph, chasing last year's best performer has historically been a very unwise investment strategy.



Source: Liberty Life

Remember: Determine an appropriate investment strategy for your individual circumstances and stick with it.

5. *Benefit from rand–cost averaging*

Many people make the mistake of stopping their investment when market returns have been disappointing. However, the same amount of capital will buy you more shares or units in a market downtrend when prices are lower, and fewer when prices are higher. This means that if you invest steadily and regularly over a period of time, downward market trends are an opportunity to buy units or shares at a lower price, which may benefit you in the long term.

6. *Invest with a financially sound partner*

It is vitally important that the partner with whom you choose to invest is financially sound. Liberty Life is one of South Africa's largest and best capitalised financial services companies, the benefits of which cannot be underestimated in today's volatile markets.

Why entrust your investment to Liberty Life?

As well as sticking to some key principles, successful wealth creation also requires the right investment vehicles. Liberty Life's Excelsior Investments range of products has a number of features aimed at helping you to create and preserve your wealth including:

1. *Cost effectiveness*

Liberty Life's Excelsior Investments range offers a competitive charge structure. While charges are not the only consideration, they are an important one as the lower the charges, the greater the amount of money working for you.

2. *Performance*

STANLIB Asset Management is the primary asset manager on the Excelsior Investments range. They have a long track record of producing inflation-beating returns and top-ranked performance. In addition, the portfolios of a number of other top ranked fund managers are also available.

3. *Flexible investment choice*

Investment portfolios ranging from cash to equities, and including both local and offshore options, are available under the Excelsior Investments range. More importantly, you have the flexibility to switch between these options whenever you like.

4. *Guarantees*

Liberty Life provides performance guarantees on certain portfolios. These provide you with peace of mind, particularly if you have a shorter investment time horizon; for example as you approach retirement.

5. *Ad–hoc payments*

Within legislative constraints, you can make additional payments into the investment products available under Excelsior Investments. This provides you with the flexibility to maximize your wealth creation within one investment product.

6. *Tax efficiency*

Tax is an important consideration, as your investment should provide sufficient real rates of return after the deduction of tax and charges. Investors in higher tax brackets may benefit from the favourable tax treatment of policies offered by Liberty Life to maximize their wealth creation.

And last but not least ...

Remember that investment is a process that should be defined by your financial goals, risk tolerance level and the long-term rate of return you wish to achieve. A Liberty Life financial adviser or broker can help you to regularly review your portfolio according to your changing goals and risk tolerance level. You might not hit bull's-eye, but you are likely to end up very close!

design@liberty E 0095/06