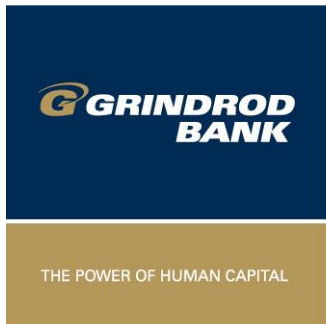
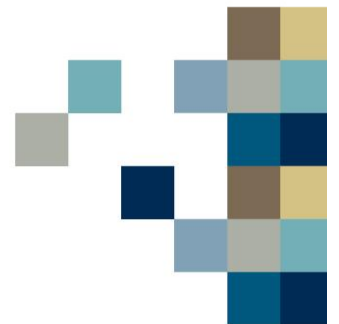


Grindrod Bank GTrax Range of ETF's

May 2014



PRESENTED BY GARETH STOBIE



Gtrax Market Trackers



- ❖ Gtrax is an approved collective investment scheme
- ❖ 5 products
- ❖ Focus on smart beta products
- ❖ Aims to be the “go to” ETF provider
- ❖ Committed to low cost, efficient and transparent returns

Grindrod Partners with S&P



- ❖ S&P launches range of South African indices
- ❖ Smart beta theme popular with offshore investors
- ❖ Grindrod Bank has an exclusivity agreement

S&P Dow Jones In South Africa

- ❖ S&P Dow Jones - world's largest, global resource for index-based concepts, data and research. Manages over 1,000,000 indices covering a wide range of asset classes across the globe



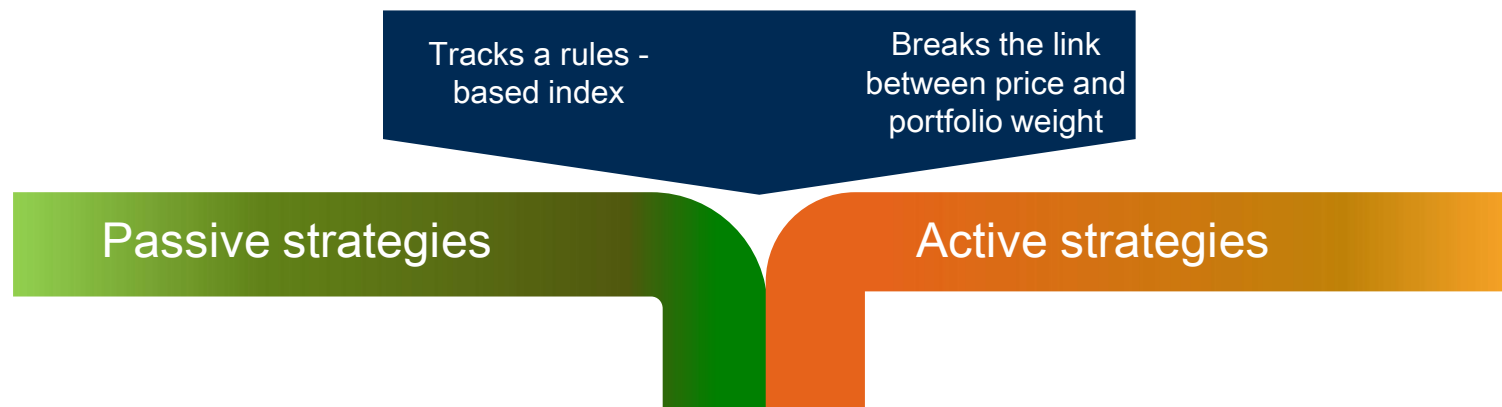
Clients in over 65 countries, 17 offices worldwide, and over 300 client-dedicated professionals with local index understanding

What is Smart Beta?



Smart Beta: Outperformance Opportunity with the Benefits of Passive Investing

- ❖ Smart beta strategies offer the best of active and passive investing



Smart Beta

- “ Target Market Exposure
- “ Lower Fees and Expenses
- “ Transparency
- “ Opportunity to Outperform



Low Volatility Strategy

Measuring Volatility?



Low Volatility Anomaly



- ❖ Valuations placed on stocks impacted by behavioural factors and the lottery affect+
- ❖ Low Volatility stocks rise less than the market when market is up, and decline less than the market when market is down
- ❖ Portfolios of low-volatility stocks have produced higher risk-adjusted returns than portfolios with high-volatility stocks in most markets studied

Low Volatility Anomaly



Return and Volatility Spreads Between Low Volatility Indices and Their Benchmarks

	Compound Annual Growth Rate			Standard Deviation		
	Low Volatility (%)	Benchmark (%)	Return Difference (%)	Low Volatility (%)	Benchmark (%)	Volatility Reduction (%)
U.S. Large-Cap	10.76	9.70		11.20	14.75	-24.07
U.S. Mid-Cap	11.43	12.32		11.86	17.13	-30.75
U.S. Small-Cap	14.11	11.50		13.59	19.22	-29.32
Developed Markets	10.90	6.92		11.95	16.71	-28.51
Emerging Markets	11.17	7.80		17.25	25.64	-32.71
Europe	9.16	3.35		14.94	16.31	-8.41
Nordic	13.30	11.56		16.38	20.24	-19.04
Pan Asia	10.91	4.65		12.84	18.57	-30.86
Canada	11.44	7.23		10.72	16.02	-33.07
Korea	19.92	10.44		27.99	31.87	-12.17

Source: S&P Dow Jones Indices. Data through Sept. 2013

Volatility Ahead?



- ❖ JSE has reached all time highs recently
- ❖ Some analysts view the market as overvalued
- ❖ Offshore managers and analysts view global markets as overvalued
- ❖ Strength of global recovery questioned

The All Share has reached all time highs with some analysts saying the market is overvalued



Although markets are at all time highs, uncertainty in the market prevails

Source: I-Net as at 16 May 2014

Benefits of Low Volatility

- ❖ Reducing risk without sacrificing return
- ❖ Positive risk-adjusted returns over a market cycle
- ❖ Minimising losses in bear markets and preserving wealth
- ❖ Minimises drawdown

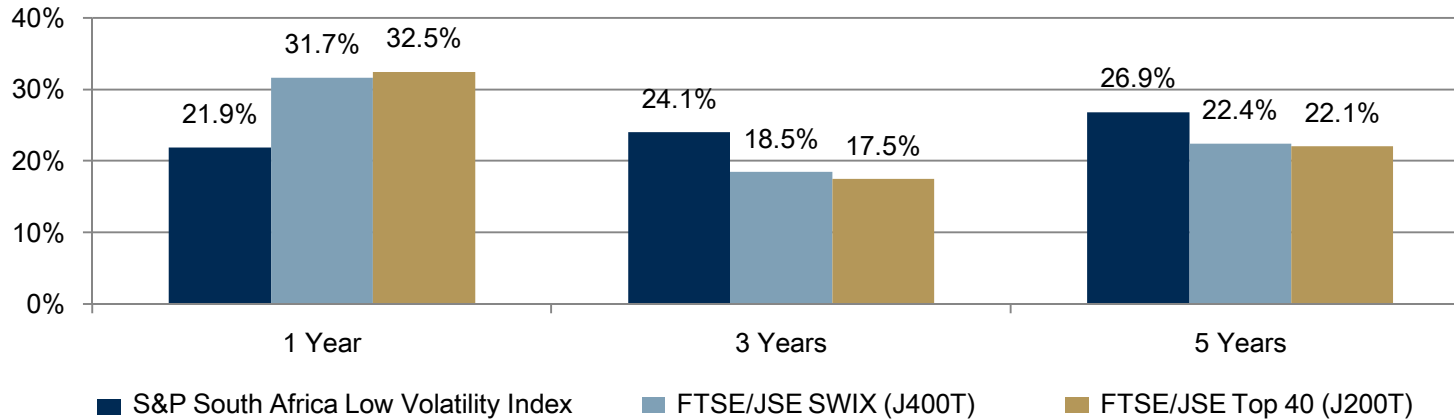


Source: Invesco Investment Insights

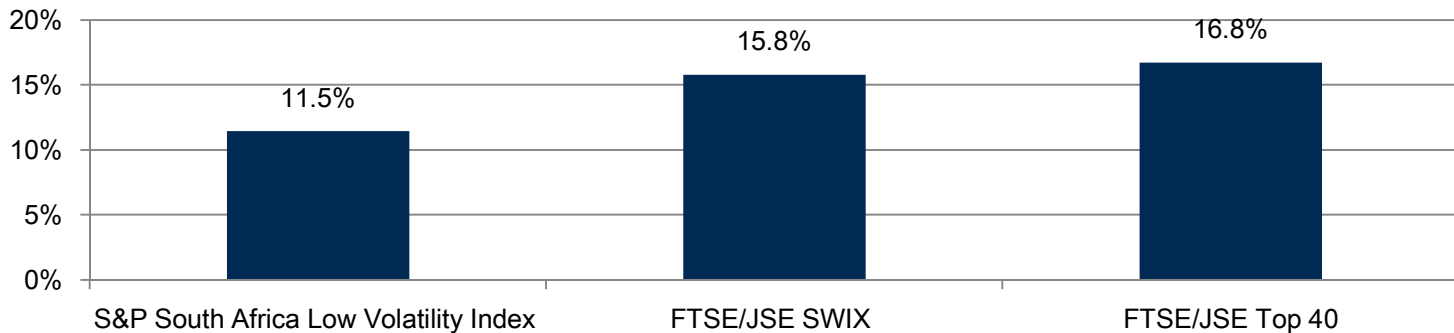
Grindrod LowVolTrax



Historic performance period ending 30 April 2014⁽¹⁾



Annual Standard Deviation⁽²⁾



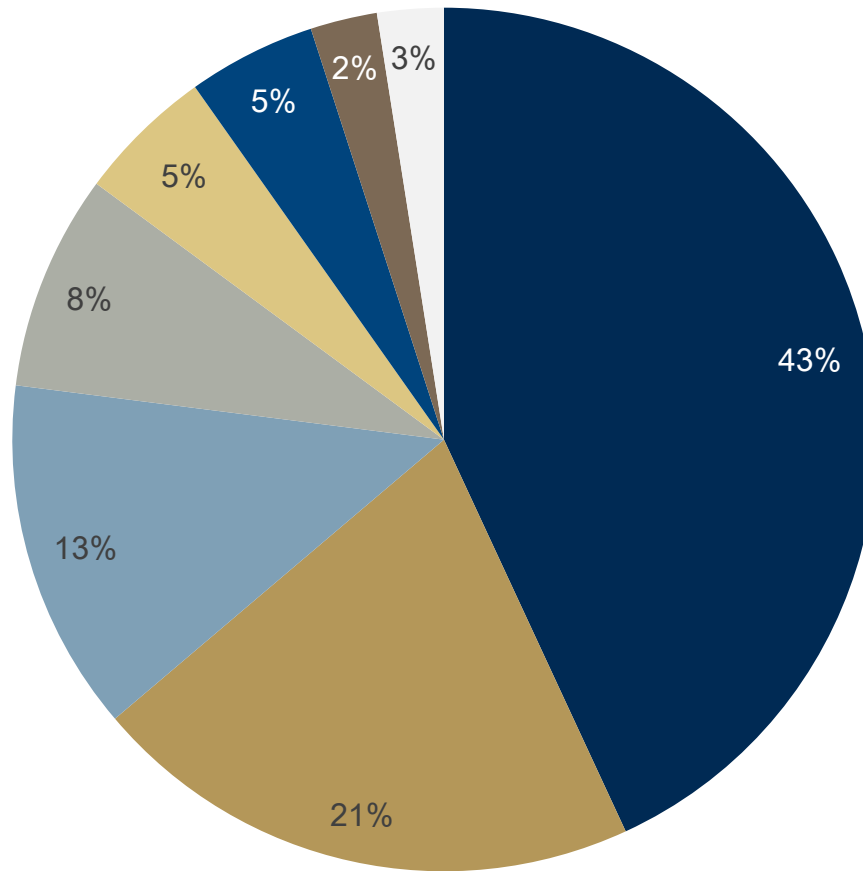
Source: I-Net and S&P April 2014

(1) Past performance is not an indication of future performance

(2) Calculated over a 5 year period ending 30 April 2014



Grindrod LowVolTrax Sector Composition



- Financials
- Consumer Staples
- Industrials
- Materials
- Consumer Discretionary
- Information Technology
- Energy
- Health Care

Source: I-Net, S&P as at 28 February 2014

Grindrod LowVolTrax Constituents



BRITISH AMERICAN TOBACCO(SJ)	Old Mutual [SA Cross-List]
Omnia Hldgs Ltd	Remgro Ltd
Capital & Counties Properties PLC	Resilient Property Income Fund
Hosken Consol Investment Ltd	Capital Property Fund
Sasol Ltd	Investec PLC
Famous Brands	EOH Holdings Ltd
Tongaat-Hulett	Sun International
AECI Ltd	Bidvest Group
Intu Properties PLC.	Mediclinic International Ltd
Pioneer Food Group Ltd	Barclays Africa Group Ltd
SABMiller Plc [SA Cross-List]	Wilson Bayly Holmes-Ovcon Ltd
Standard Bank Group Ltd	Capitec Bank Hldgs
BHP BILLITON PLC	RMI Holdings
Nedbank Group	Liberty Hldgs
JSE Ltd	FIRSTRAND LIMITED
Mondi PLC.	Redefine Properties Ltd
Illovo Sugar Ltd	Clicks Group Ltd
Spar Group	Netcare Ltd
Adcock Ingram Holdings Ltd	AVI Ltd
Hyprop Investments Ltd	Brait SA

Source: S&P Dow Jones Indices





Dividend Investing Strategy



The Power of Dividends



- ❖ Renewed interest in companies that pay dividends
 - ❖ Income levels from traditional assets have fallen
 - ❖ Appetite for transparent understandable investments with income and growth potential
- ❖ Studies show that equity income when reinvested comprise an essential component of long term returns
- ❖ Companies who pay dividends generally have similar positive qualities
 - ❖ Reasonably valued
 - ❖ Cash flow generative and sustainable
 - ❖ Align shareholders and management and less likely there will be lazy cash
 - ❖ Avoid overburdening balance sheet with too much debt

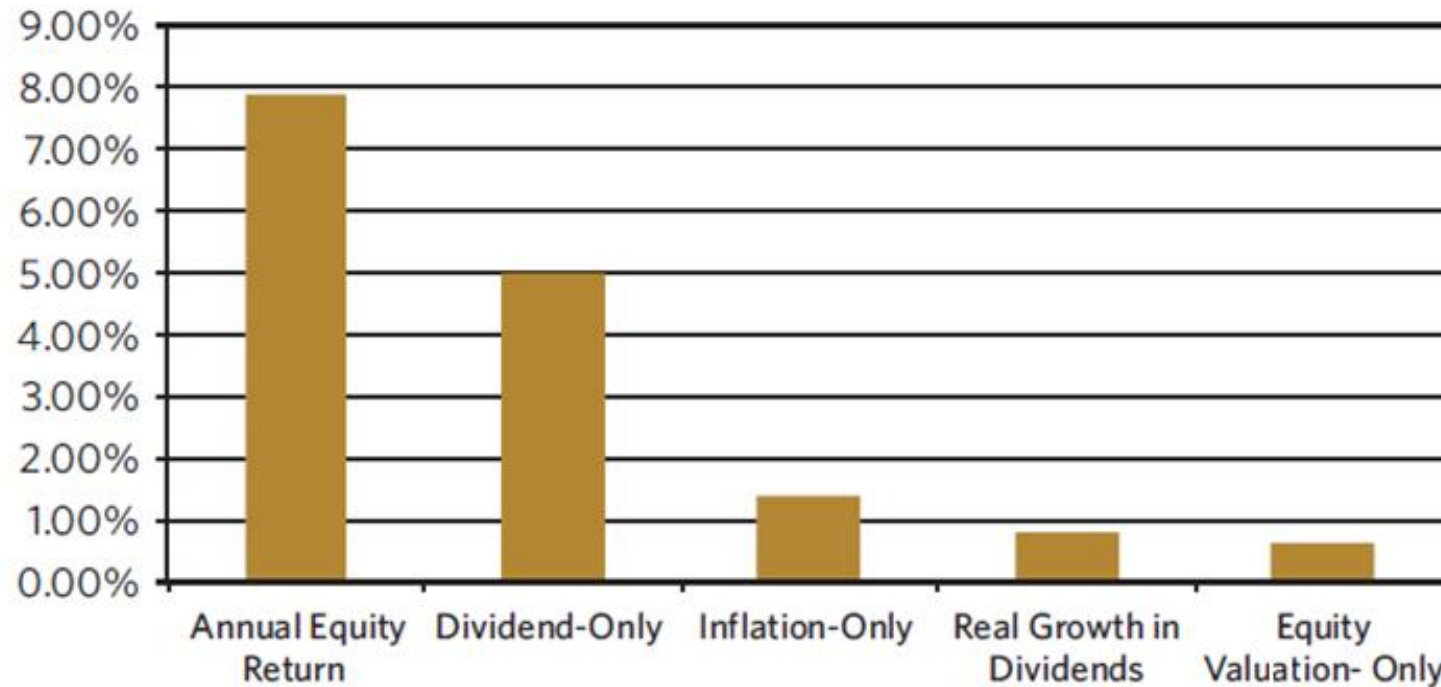


The Power of Dividends



- ❖ This 2003 study suggested that over a 200-year period, dividends produced the largest component of annual equity returns.

Dividends as Largest Component of Annual Equity Returns

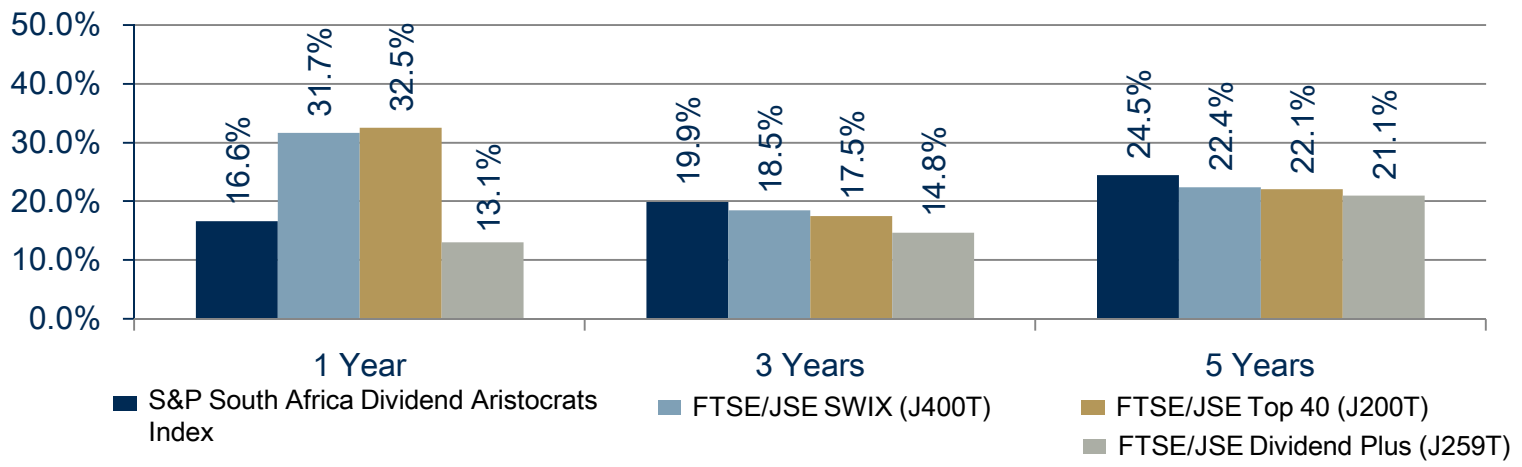


Source: Robert D. Arnott, "Dividends and the Three Dwarfs", *Financial Analyst Journal*, 2003.

Grindrod DivTrax

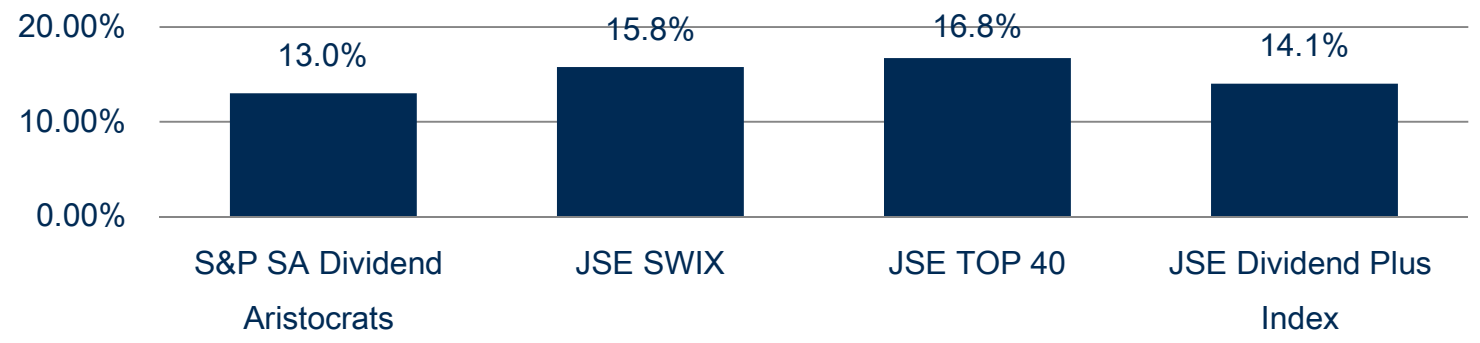


Historic performance period ending 30 April 2014⁽¹⁾



Annual Standard Deviation⁽²⁾

Whilst not a primary goal, volatility adjusted returns also good.



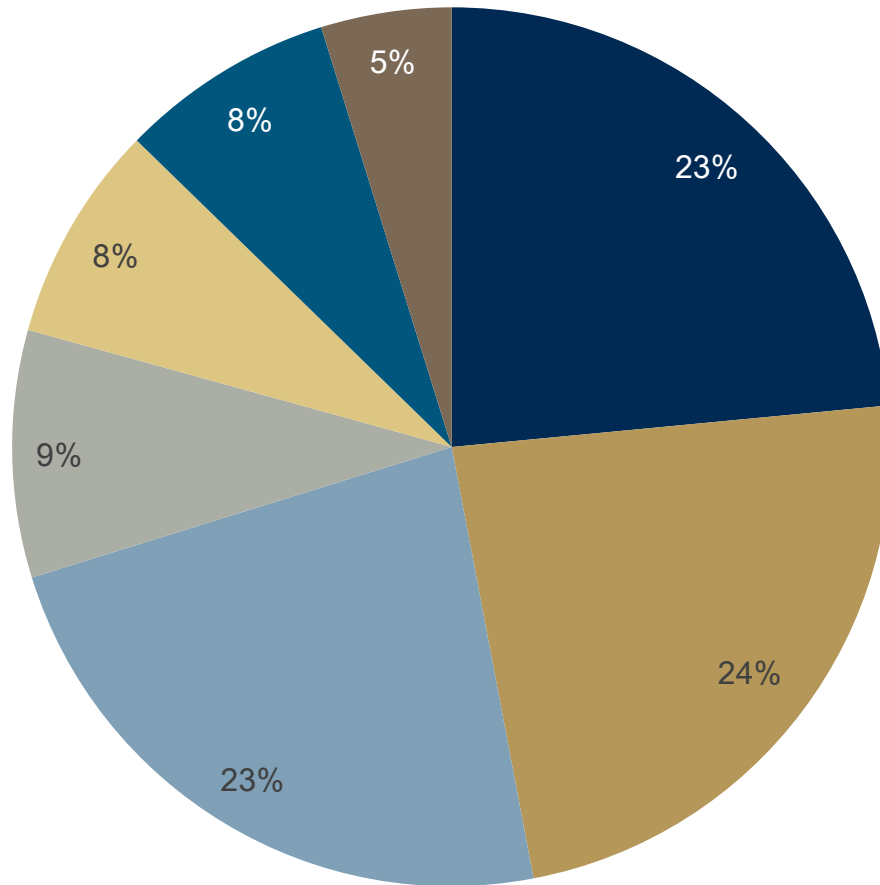
Source: I-Net and S&P April 2014

(1) Past performance is not an indication of future performance

(2) Calculated over a 5 year period ending 30 April 2014



Grindrod DivTrax Sector Composition



- Financials
- Consumer Staples
- Consumer Discretionary
- Health Care
- Information Technology
- Industrials
- Telecommunication Services

Source: I-Net, S&P as at 28 February 2014



Grindrod DivTrax Constituents



AVI Ltd

BRITISH AMERICAN TOBACCO(SJ)

Capitec Bank Hldgs

Discovery Ltd

EOH Holdings Ltd

Lewis Group

MMI Holdings Ltd

MTN Group Ltd

Mediclinic International Ltd

Mr Price Group

Naspers Ltd N

Netcare Ltd

Oceana Group Ltd

Pinnacle Holdings Ltd

Sanlam Ltd

Santam Ltd

Shoprite Hldgs Ltd

Spar Group

The Foschini Group Ltd

Trencor Ltd

Truworths International Ltd

Wilson Bayly Holmes-Ovcon Ltd

Source: S&P Dow Jones Indices



Grindrod GTrax range of ETFs



- ❖ Can be used as part of a core or satellite portfolio
- ❖ Lower volatility
- ❖ Cost efficiency
- ❖ Tradability
- ❖ Transparency
- ❖ Diversified

Fees	
Service Charge	0.400%
VAT	0.056%
All in	0.456%
Bank Charges and Audit fees	0.030%
Total Bill	<0.490%

Source: I-Net and S&P April 2014

(1) Past performance is not an indication of future performance

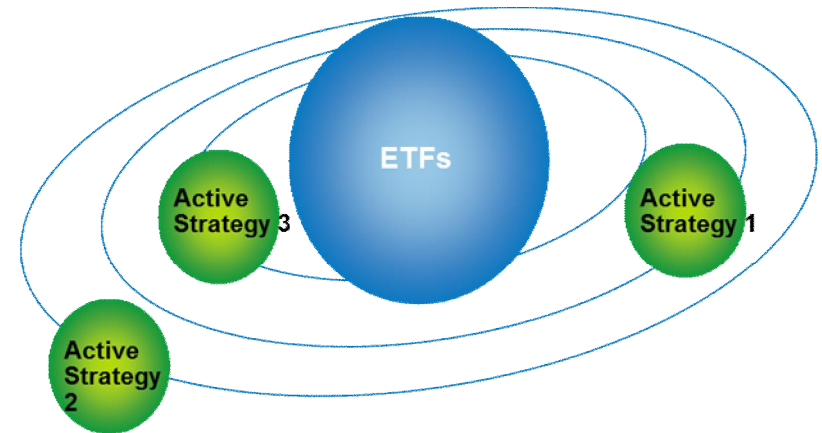
(2) Calculated over a 5 year period ending 30 April 2014



ETF Usage Example: Core Satellite Strategy

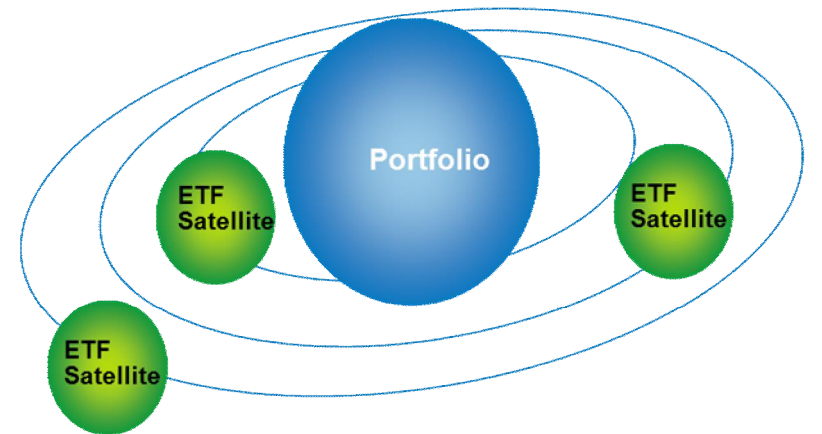
Core:

- ❖ Broad diversification by closely mirroring asset class benchmarks
- ❖ Consistent performance relative to a benchmark
- ❖ Low costs
- ❖ Improved risk management



Satellite:

- ❖ Precise exposure to a wide range of discrete market sectors, specific styles or market capitalisations indices
- ❖ Exposure to selected market segments at low costs
- ❖ Eliminating security selection or manager selection risk





Thank You

Q&A

Contacts



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