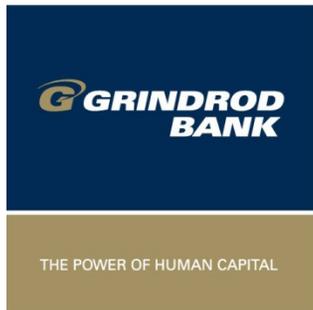




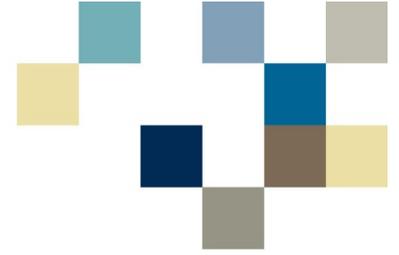
The first Preference Share ETF



Introduction to PrefEx

PRESENTED BY **GARETH STOBIE**





What is a preference share?

“A share with preferential rights over ordinary shares.”

What are the preferential rights?

- A right to Dividends
- An additional right to Capital

Explained differently..

A share that is part debt / part equity with characteristics of both.



Preference Shares in a Portfolio



1. Income

- 7.5% - 7.7% (will fluctuate with prevailing interest rates)
- Dividends paid quarterly



2. Capital Preservation

- Low Capital Volatility (but expect some negative months)
- Preferential rights



3. Tax Efficiency

- Dividends exempt from PAYE but not Dividends Withholdings Tax
- High tax payers will benefit

Other Benefits of PrefEx



Transparency

- ETF listed on the JSE and regulated by the JSE
- Independent Trustees, Auditors and Administrators



Low Cost

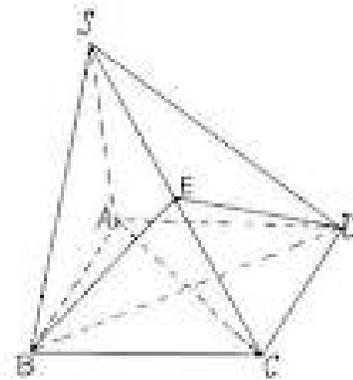
- Expected Total Expense Ratio 0.45% - 0.5%
- Costs deducted from yield



Liquidity

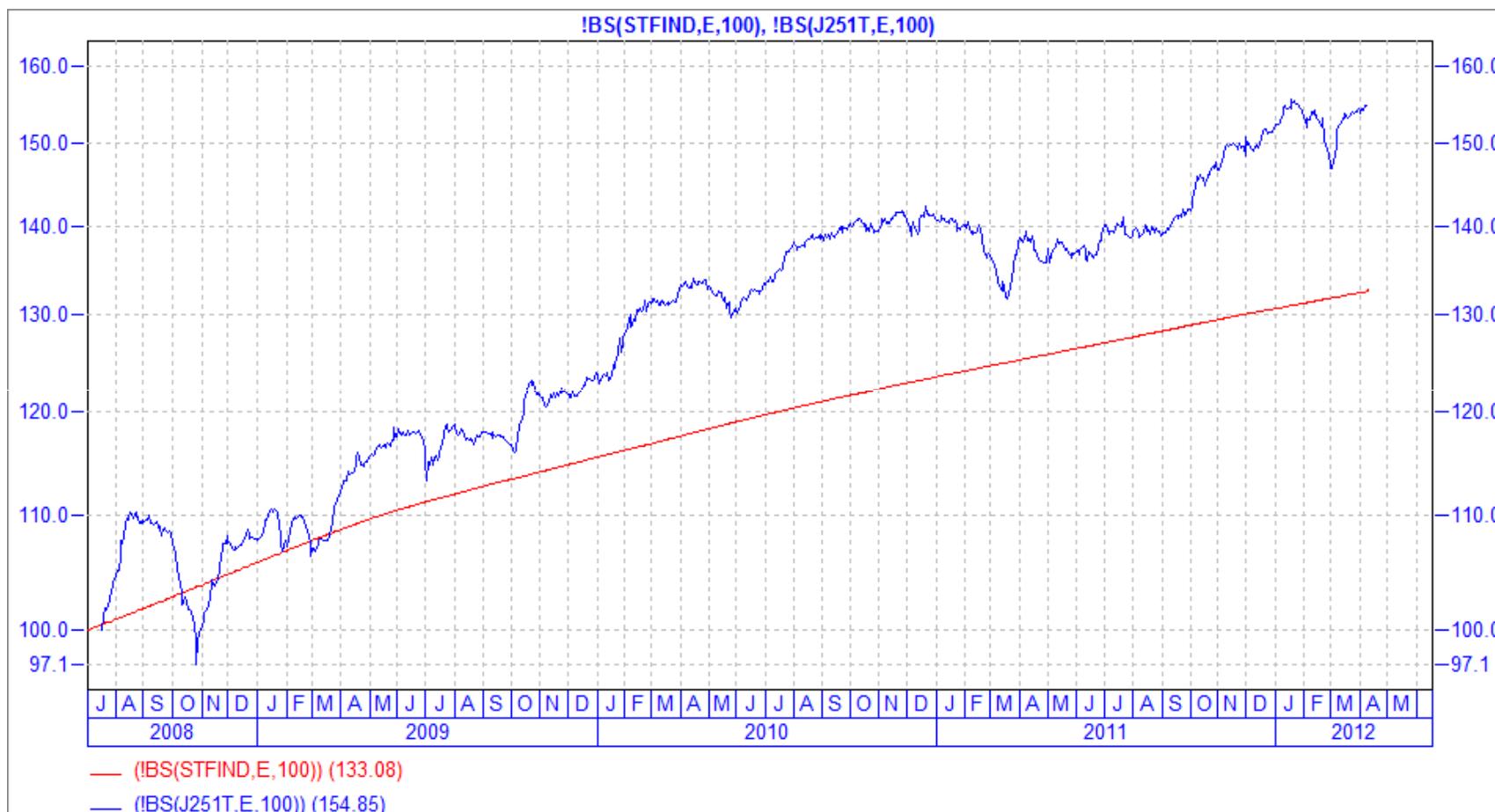
- Grindrod ensures a market in PrefEx on the JSE

Prefs vs. Cash The Maths..

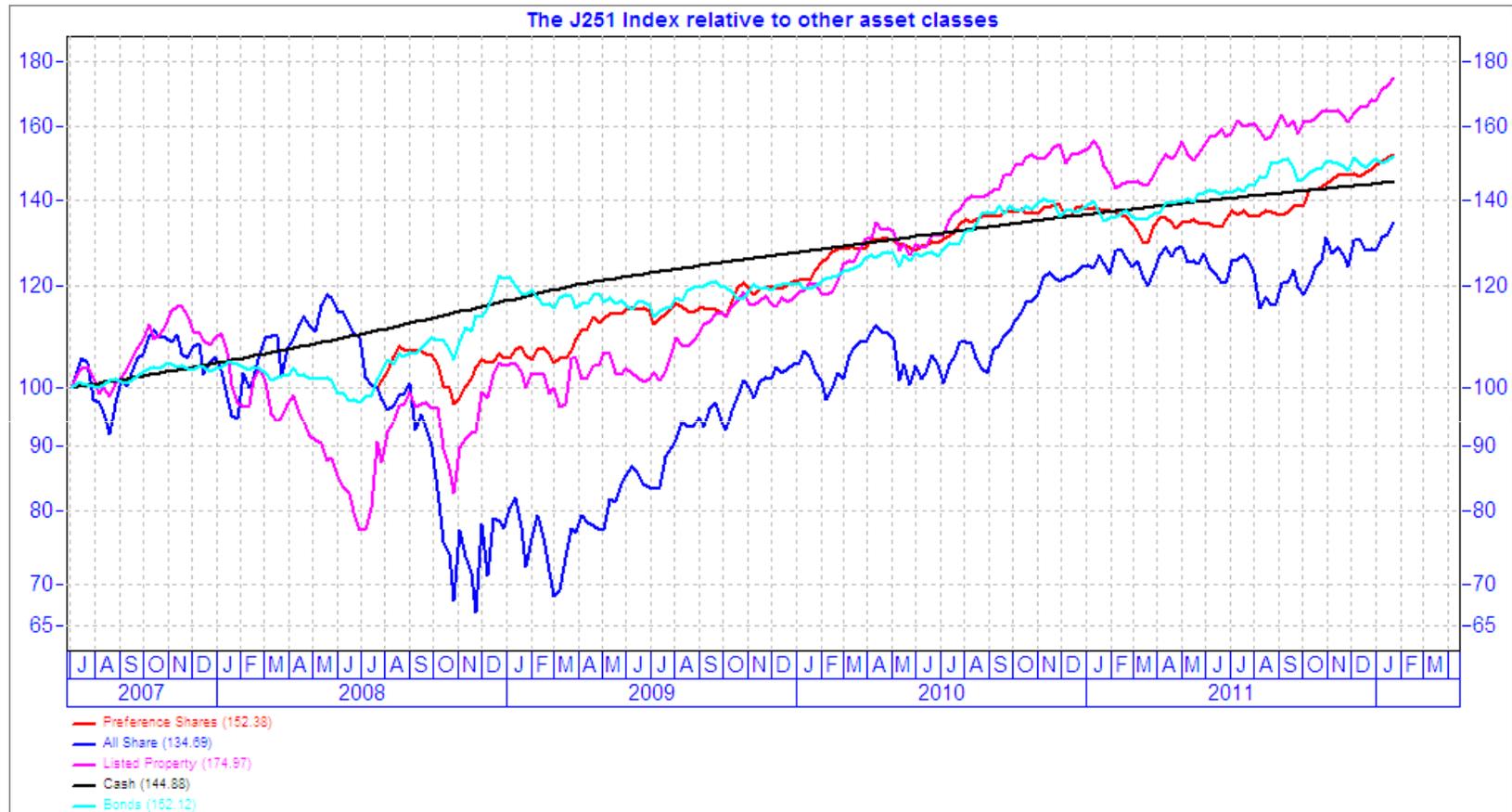
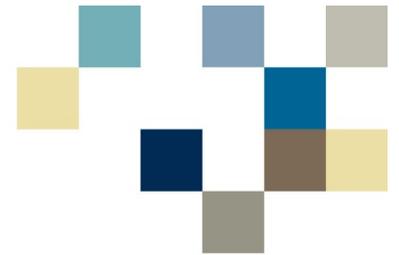


<u>Comparing Yields</u>	Cash Investment	PrefEx
Yield (Net of Fees)	5.5%	7.05%
Less: Tax	(2.2%) @ 40%	(1.05%) @ 15%
After Tax Return	<u>3.3%</u>	<u>6%</u>
Return on R100k	R3,300	R6,000
Benefit Per R100k		R2,700

Prefs vs. Cash since start of Financial Crisis



Prefs vs. Other Assets



The Index Constituents



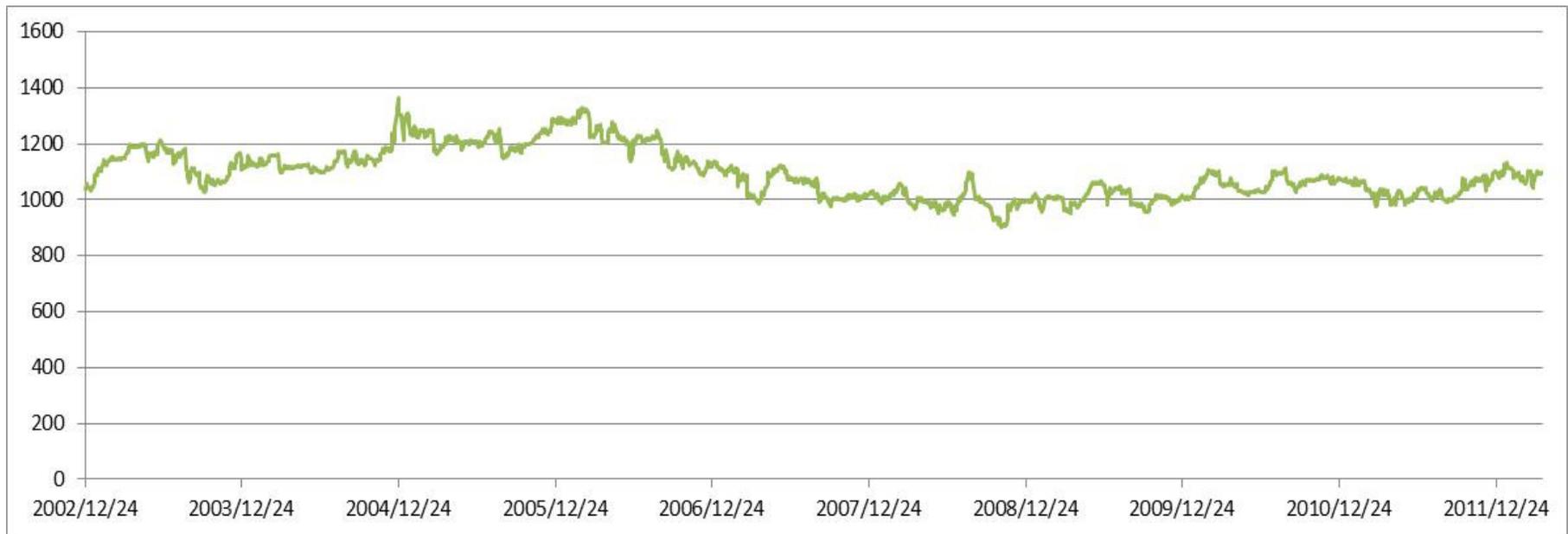
Issuer	Effective Rate (% of Prime)	Rate	Unit / Share Price	Weighting
 NEDBANK	77.21%	6.95%	11.00	13.47%
 Investec	87.22%	7.85%	99.50	5.27%
 Investec	91.71%	8.25%	88.50	9.20%
 Investec Plc R	93.59%	8.42%	106.00	0.83%
 Standard Bank	78.11%	7.03%	100.50	18.26%
 FIRSTRAND	78.56%	7.07%	97.00	14.90%
 ABSA	79.27%	7.13%	890.00	14.83%
 sasfin	99.46%	8.95%	85.00	0.56%
 AFRICAN BANK	95.23%	8.57%	82.00	3.74%
 CAPITEC Bank	92.42%	8.32%	91.00	0.87%
 PSG	97.12%	8.74%	86.00	3.98%
 Steinhoff	96.49%	8.68%	91.30	4.75%
 GRINDROD LIMITED	97.99%	8.82%	92.00	2.38%
 NETCARE	91.59%	8.24%	94.00	2.15%
 ASTRAPAK	104.81%	9.43%	85.00	0.44%
 Imperial Holdings	89.15%	8.02%	94.60	1.44%
 Discovery	90.61%	8.15%	106.55	2.94%



What to expect? Past Patterns..



Nedbank Preference Share – 10 years old





Tax Matters

- New Dividends Tax started 1 April 2012
- Rate = 15%

“All in the Price”

- Who pays?
 - Individuals and Trusts
- Who doesn't pay?
 - Companies, Retirement Funds

- PrefEx is structured to be as tax neutral as possible



Current Opportunities & Valuations



- Preference Shares currently offering fair value
- Demand expected to be strong as funds move from similar strategies
- New listings expected
- Next movement in Prime likely to be up

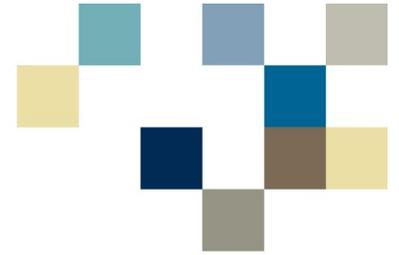




PREFex

- Seamless access to a defensive asset class
- PrefEx offers :
 - Income
 - Tax Efficiency
 - Capital Preservation
- Invest via your stockbroker or ETFSA





***PREF*ex**

THANK YOU

***PREF*ex**

**G GRINDROD
BANK**