



CORESHARES

Indexation at the Core

A DIVISION OF
**GRINDROD
BANK**



○ ● ● Behind the name change:

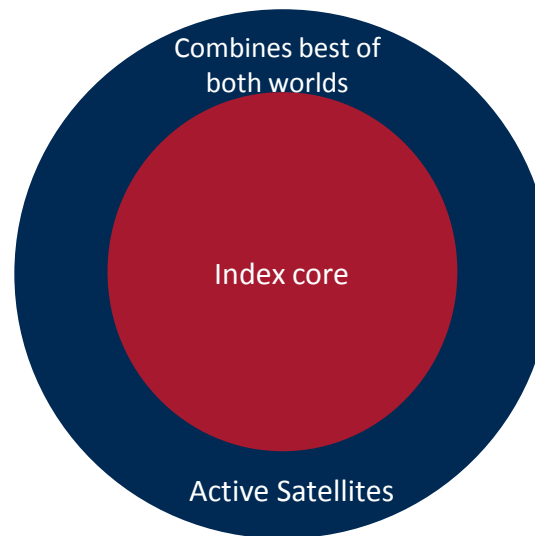


Core and Satellite Approach to Portfolio Construction

Active approach



Core-Satellite approach



Index approach



○ ● ● Market Cap Index:
Simple but Effective
Core Option



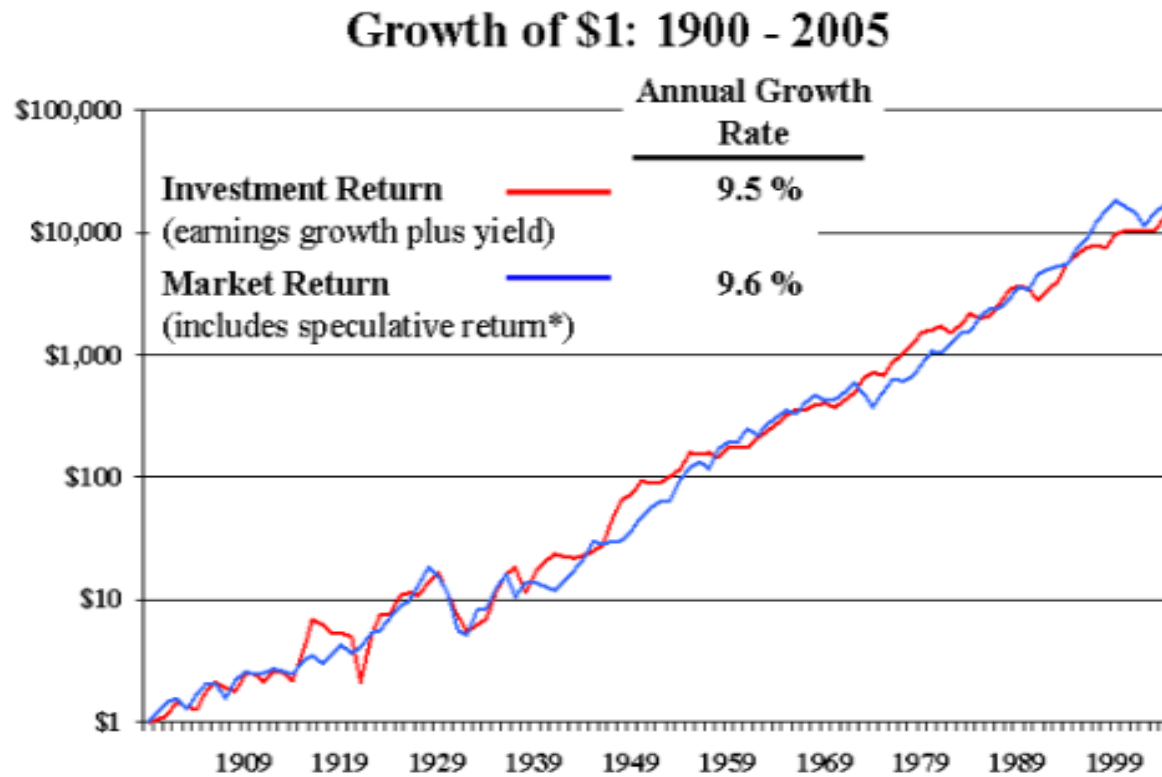
The Simplicity of Market Cap Weighted Investing

A recap of the key 'passive' arguments from Bogle, Sharpe and Fama

1. The tale of the Gotrocks family (a parable from Bogle's book)
2. Markets don't give you returns / the underlying investments do
3. "The bottom line is that after costs, the average actively managed Dollar (or Rand) must underperform the average passively managed Dollar (or Rand) in a market. This is simple arithmetic." Sharpe
4. Efficient market hypothesis
 - *John Bogle Founder of Vanguard (world's biggest Mutual Fund manager) and "father of indexing" "world's 100 most powerful and influential people" by Time Magazine in 2004.*
 - *William Sharpe: Professor of Finance, Emeritus at Stanford University's Graduate School of Business, and the winner of the 1990 Nobel Memorial Prize in Economic Sciences. Also known for the Sharpe Ratio.*
 - *Eugene Fama is an American economist and Nobel laureate in Economics, known for his work on portfolio theory and asset pricing,*



Investment Return Versus Market Return



*Impact of change in price-earnings ratio



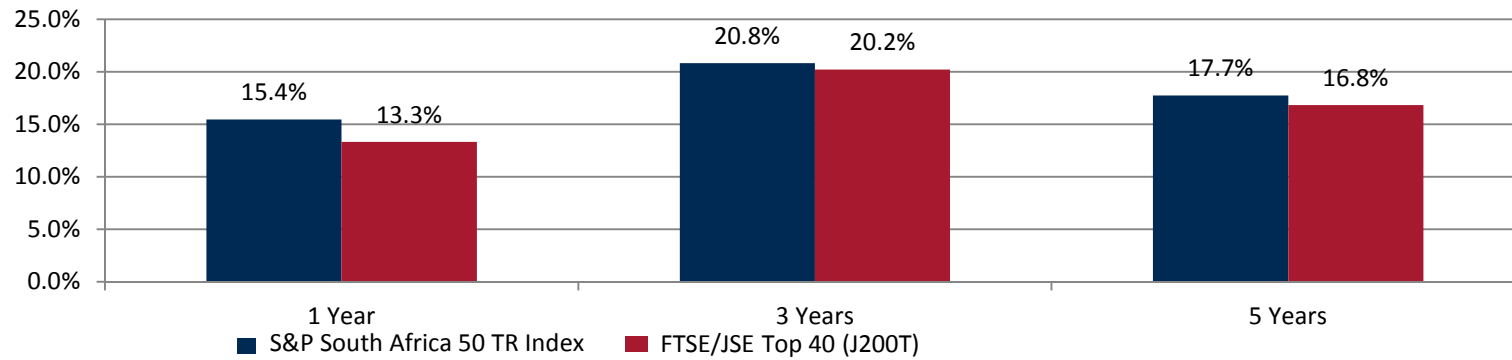
CoreShares Top50 Overview

| | |
|-----------------------|---|
| Description | Measures the performance of the 50 largest companies by float-adjusted market capitalisation |
| No. of Constituents | 52 |
| Liquidity | Average daily value traded of at least R50m for the 3months prior to rebalancing reference date |
| Buffer Rule | Current constituents remain in the index if they are ranked among the top 55 companies |
| Weighting Method | Modified market capitalisation, where no single company weighs more than 10% of the index at each rebalancing |
| Rebalancing Frequency | Quarterly |
| ETF Launch Date | 13 May 2015 Ticker: CTOP50 |
| Fee | 0.2% (ex Vat) |

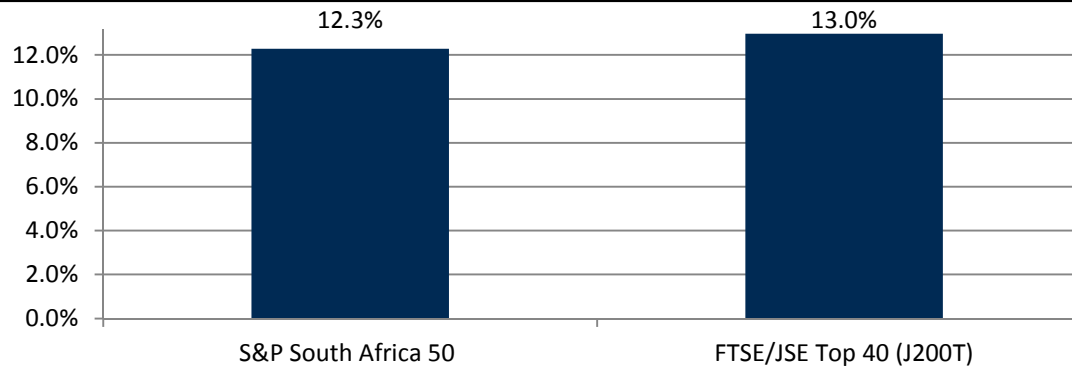


S&P South Africa 50 Index Historic Performance

Historic performance period ending 30 April 2015⁽¹⁾



Annual Standard Deviation⁽²⁾



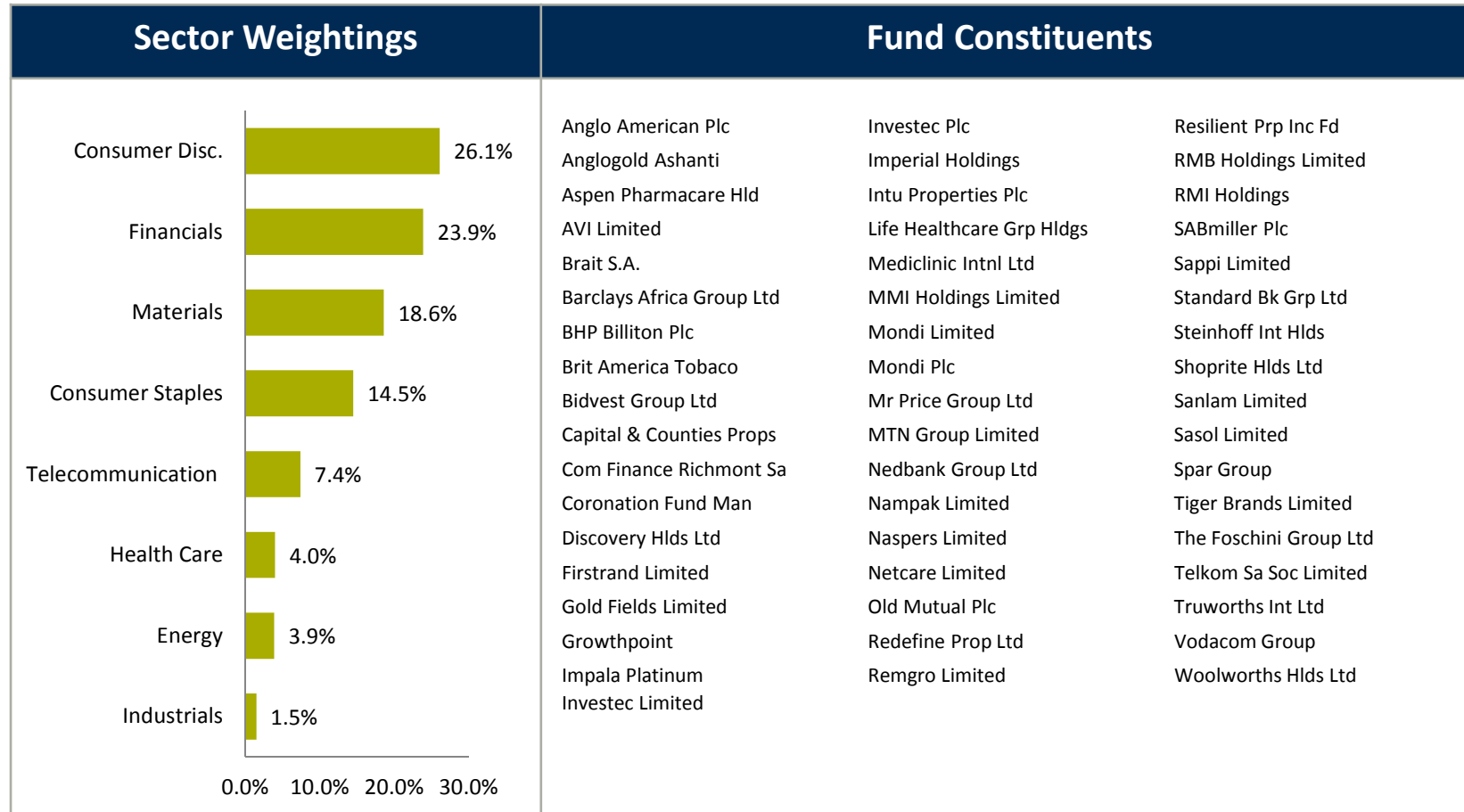
Source: I-Net and S&P as at April

(1) Past performance is not an indication of future performance. Index performance is not an indication of ETF performance.

(2) Calculated over a 5 year period ending 30 April 2015



S&P South Africa 50 Index, Sector Composition and Constituents



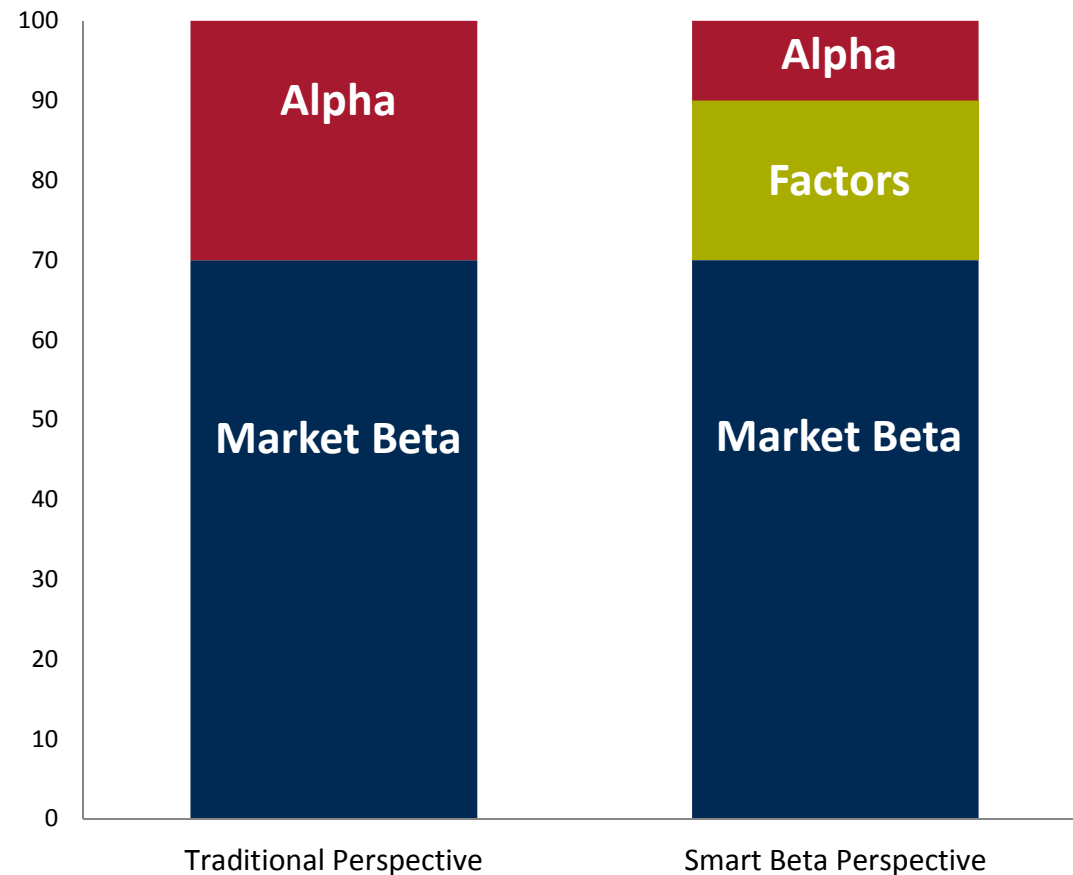
○ ● ● Smart Beta



What Really Drives Returns?

Breaking down the drivers of return

- Risk Factors / Risk Premia / Alternative Betas are all ways of describing the underlying building blocks of returns, which can be accessed using rules based or systematic techniques



Source: Goldman Sachs
For illustrative purposes only



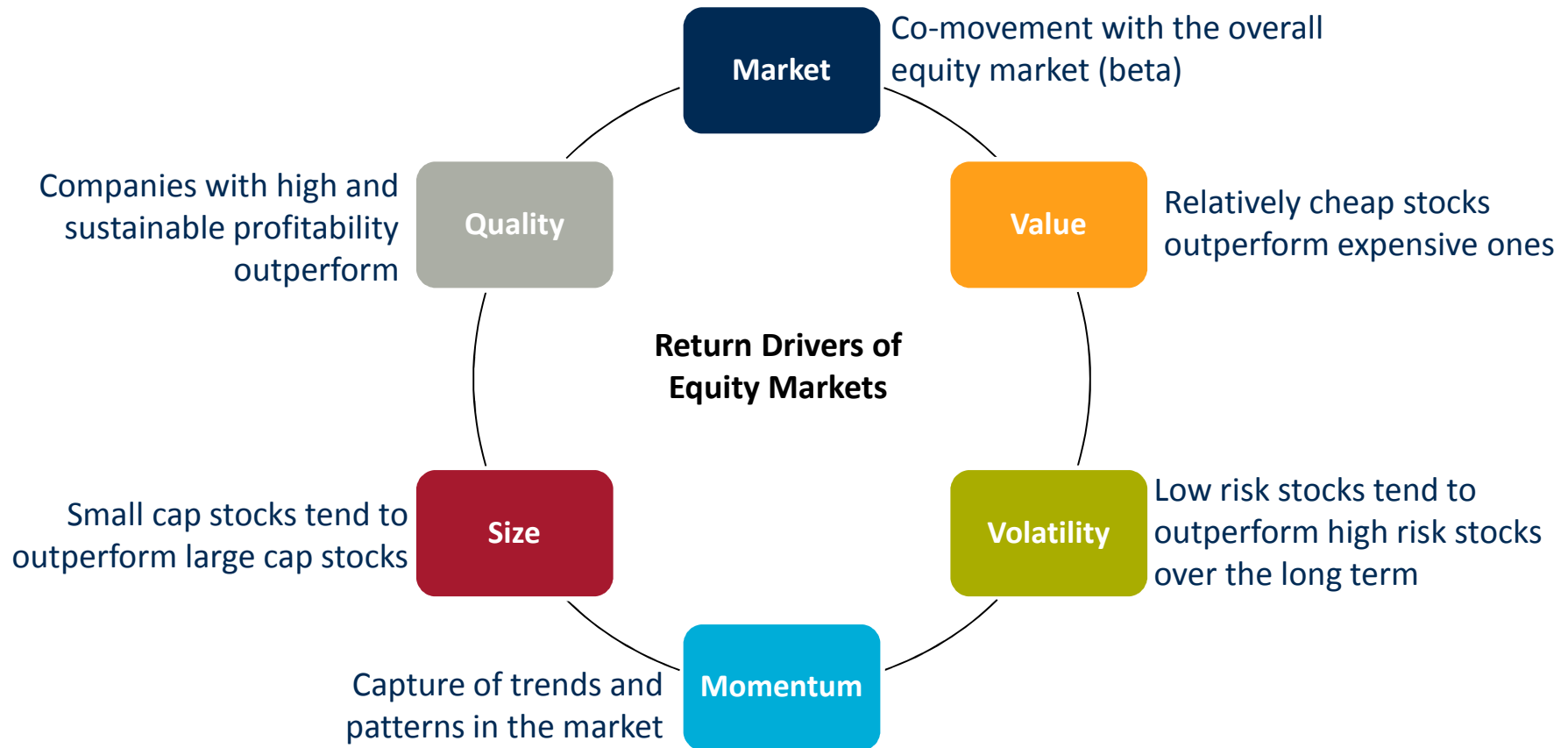
Why Has Smart Beta Investing Attracted so Much Attention

Smart beta investing appeals to investors seeking:

- ✓ Deeper diversification
- ✓ Improvements in portfolio risk-adjusted returns
- ✓ To implement views and timing across exposures/factors/risk premia
- ✓ Customised solutions built around existing portfolios
- ✓ Transparency and liquidity
- ✓ Cost efficiency



Equities Allocation



Source: Goldman Sachs
For illustrative purposes only



CoreShares Equity Smart Beta Range



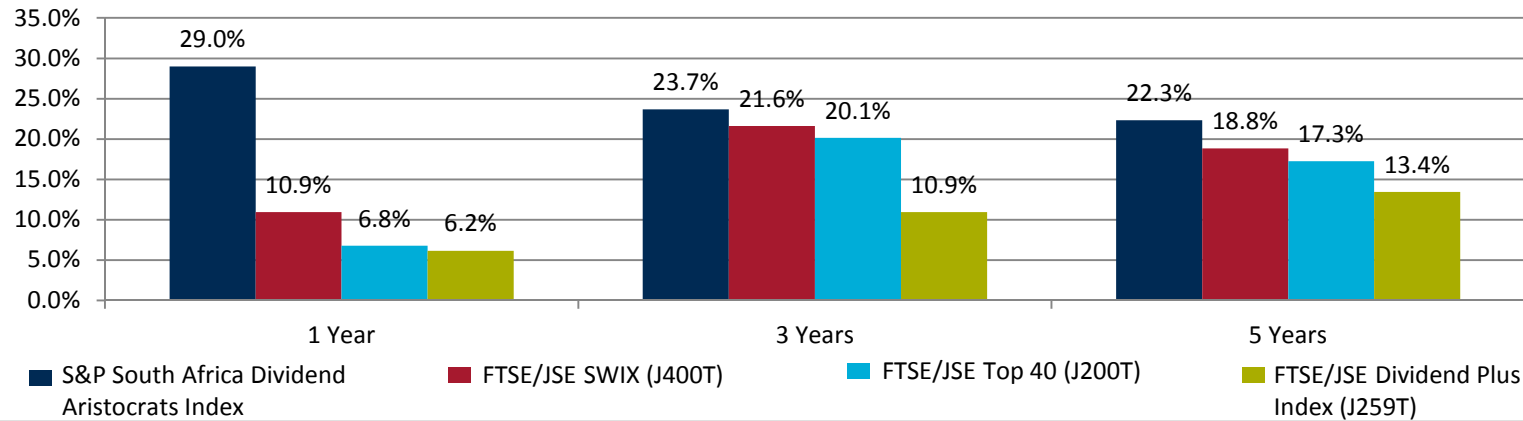
CoreShares Divtrax Overview

| | |
|-----------------------|--|
| Description | Measures performance of constituents that have increased or maintained stable dividends for the last 5 consecutive years |
| Index Benchmark | S&P South Africa Dividend Aristocrats Index |
| No. of Constituents | 26 |
| TER | 0.38% |
| Liquidity | Average daily value traded of at least R5m for the 3months prior to rebalancing reference date ⁽¹⁾ |
| Diversification | Minimum no. of constituents: 20 Property stocks excluded from index |
| Weighting Method | Equal weighted with constituents re-weighted every quarter |
| Rebalancing Frequency | Annually in July |
| ETF Launch Date | 14 April 2014 Ticker: DIVTRX |

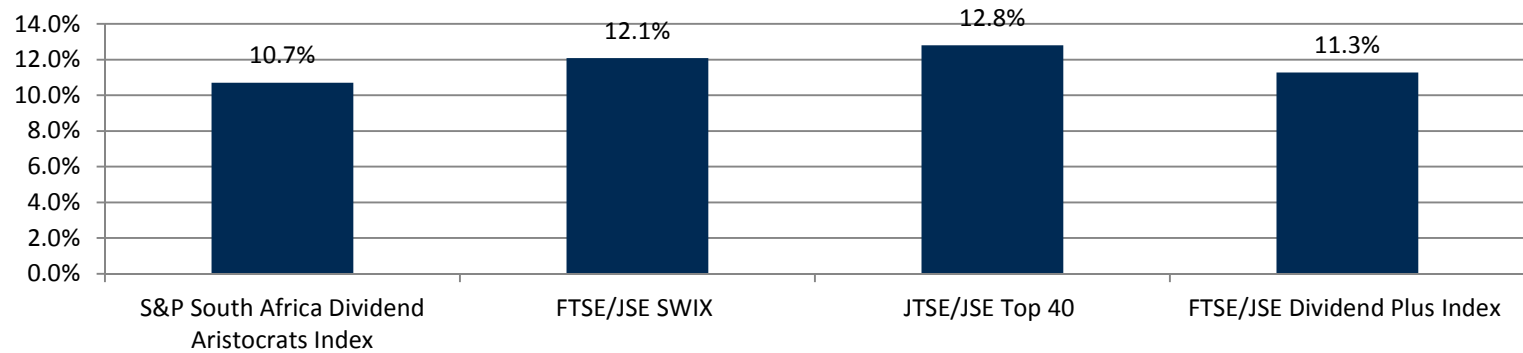


S&P Dividend Aristocrats Index Historic Performance

Historic performance period ending 31 May 2015⁽¹⁾



Annual Standard Deviation⁽²⁾



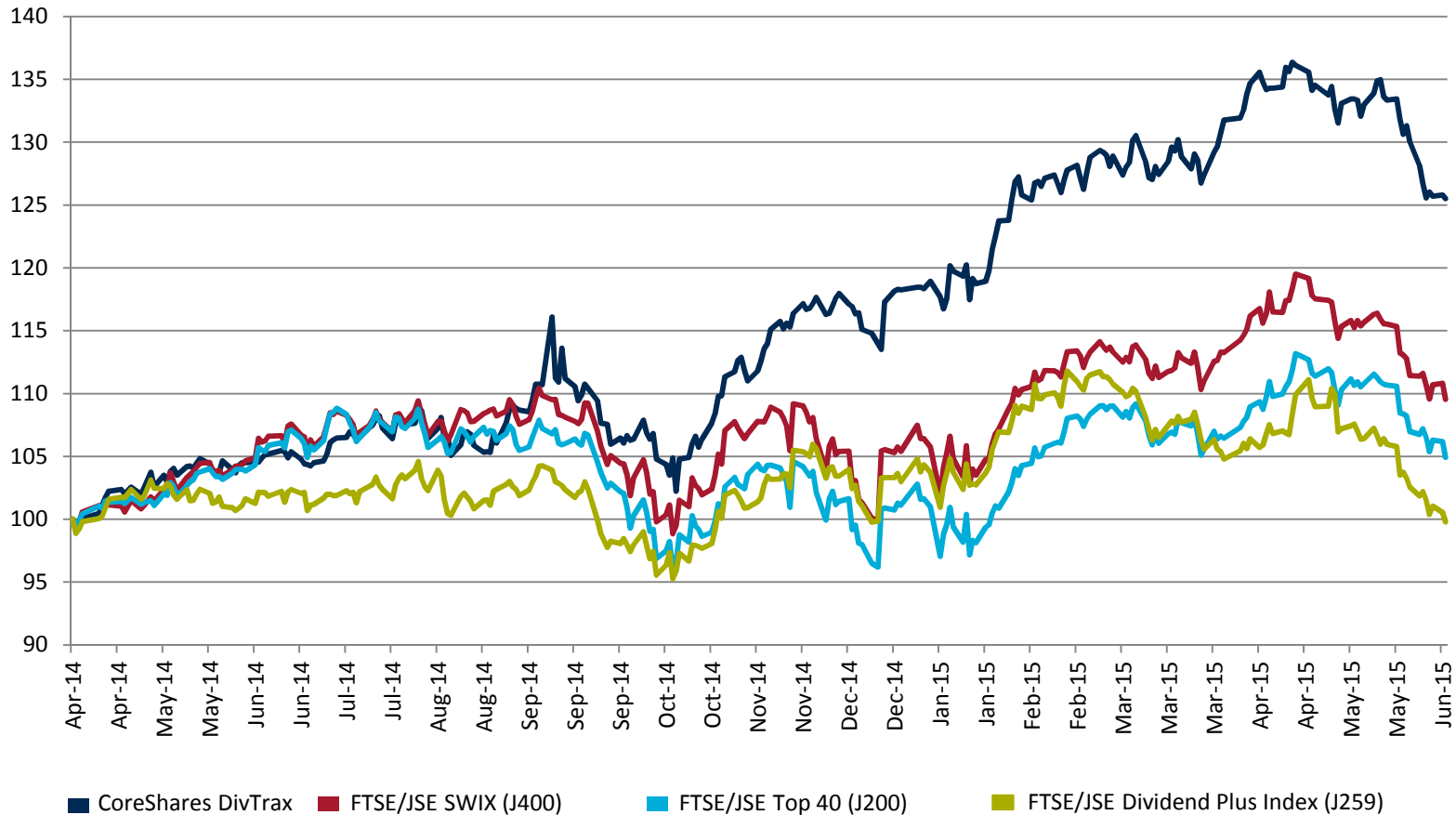
Source: I-Net and S&P as at May

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(2) Calculated over a 5 year period ending 31 May 2015



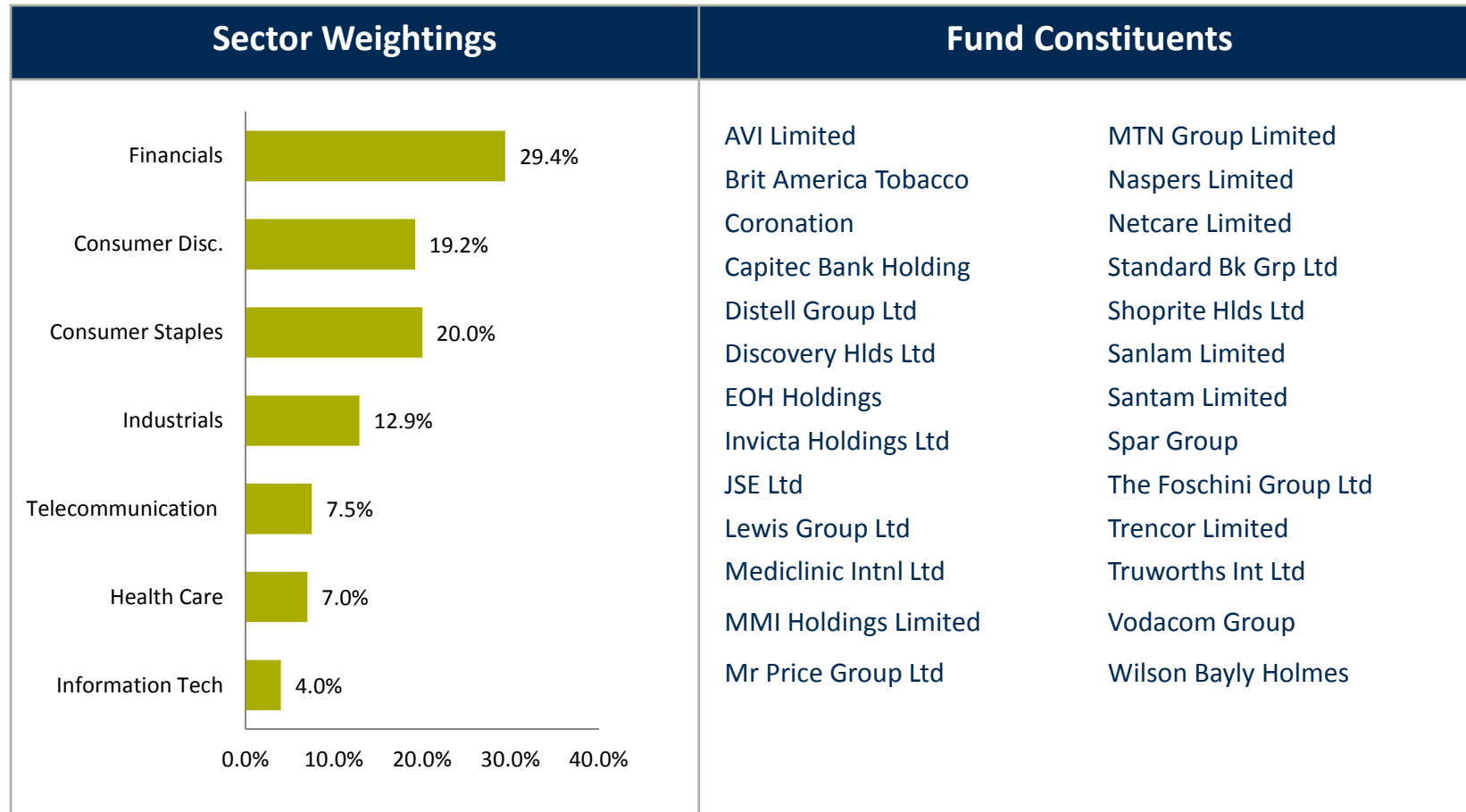
CoreShares Divtrax Historic Performance



Source: I-Net June 2015



CoreShares Divtrax Sector Composition and Constituents



Source: S&P



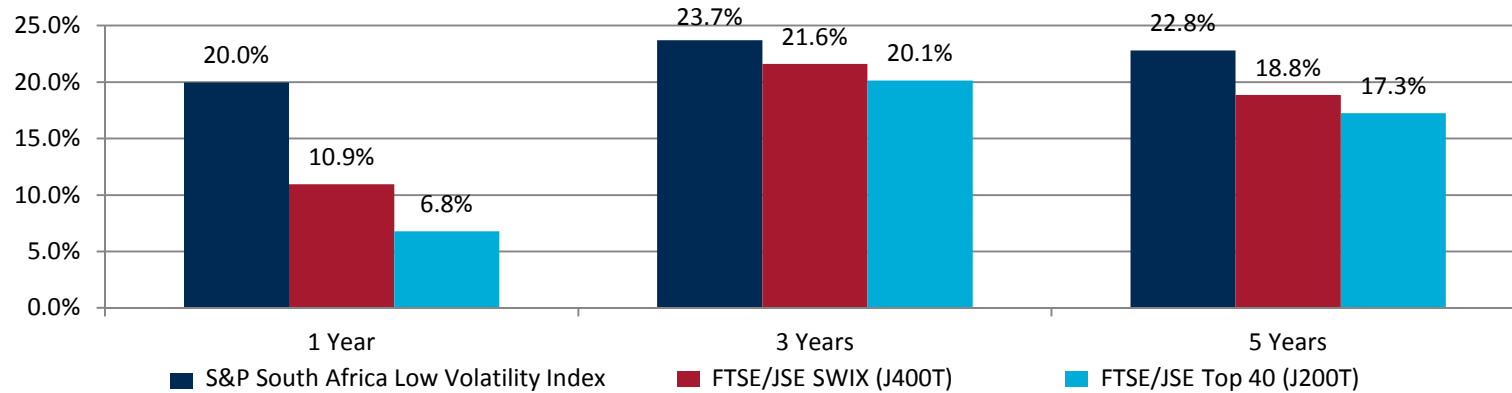
CoreShares LowVoltrax Overview

| | |
|-----------------------|---|
| Description | Measures the performance of the least volatile stocks where volatility is defined as the standard deviation of the security's daily price returns over the prior year |
| Index Benchmark | S&P South Africa Low Volatility Index |
| No. of Constituents | 40 |
| TER | 0.40% |
| Liquidity | Average daily value traded of at least R10m for the 3months prior to rebalancing reference date ⁽¹⁾ |
| Weighting Method | Constituents are weighted relative to the inverse of their volatility, with the least volatile stocks receiving the highest weights |
| Rebalancing Frequency | Quarterly |
| ETF Launch Date | 14 April 2014 Ticker: LVLTRX |

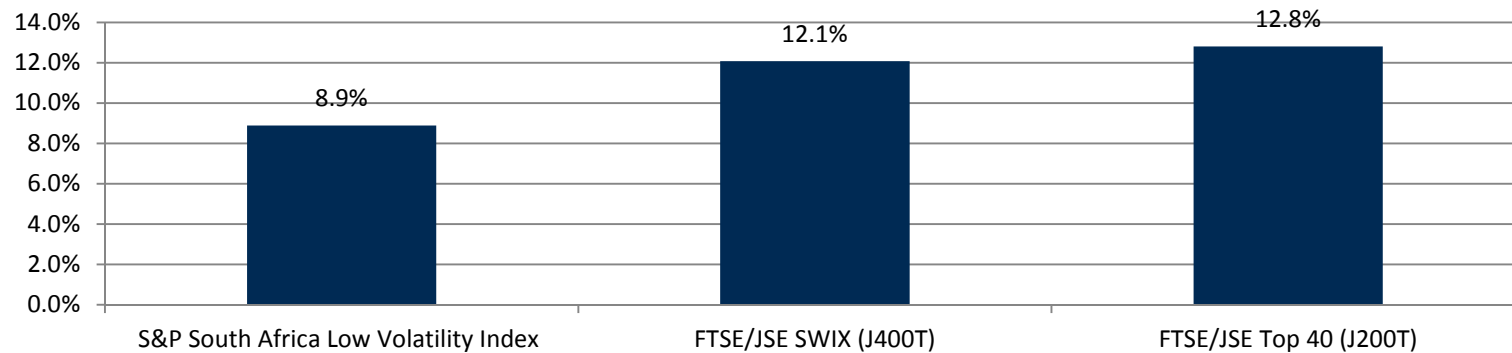


S&P Low Volatility Index Historic Performance

Historic performance period ending 31 May 2015⁽¹⁾



Annual Standard Deviation⁽²⁾



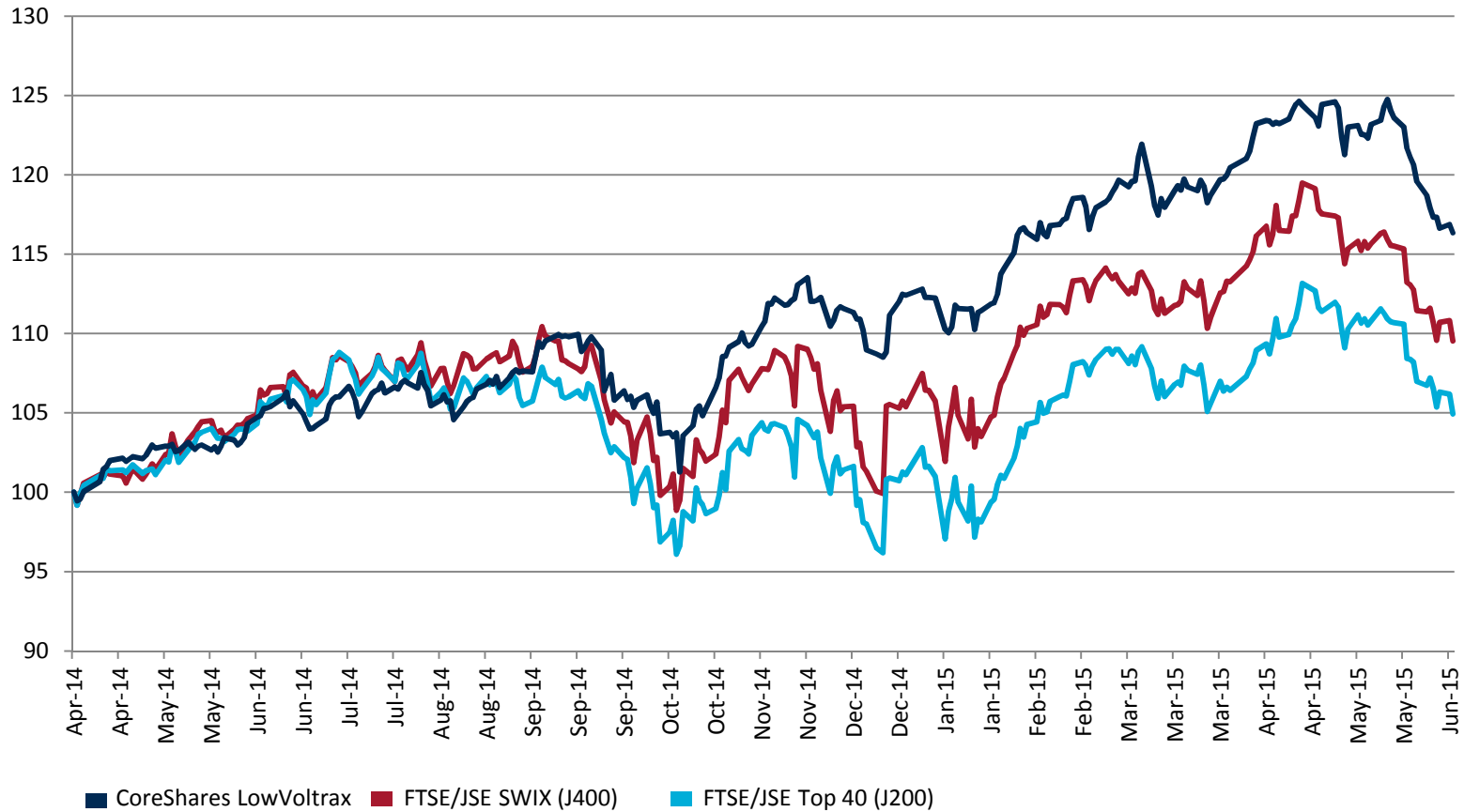
Source: I-Net and S&P as at May

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CoreShares LowVoltrax Historic Performance



Source: I-Net June 2015



CoreShares LowVoltrax Sector Composition and Constituents

| Sector Weightings | Fund Constituents | |
|--------------------------------|---------------------------|------------------------|
| Financials (incl. REITs) 60.6% | Acucap Properties | Investec Plc |
| Consumer Disc. 14.3% | AECI Limited | Intu Properties Plc |
| Consumer Staples 7.5% | Attacq Limited | JSE Ltd |
| Information Tech 5.8% | AVI Limited | Liberty Holdings Ltd |
| Industrials 5.0% | Barclays Africa Group Ltd | Mmi Holdings Limited |
| Materials 4.5% | Brit America Tobacco | Old Mutual Plc |
| Telecommunication 2.3% | Bidvest Group Ltd | Omnia Hlds Limited |
| | Capital & Counties Props | Peregrine Hlds Ltd |
| | Com Finance Richmond Sa | Psg Group Limited |
| | City Lodge Hotels | Redefine Prop Ltd |
| | Capital | Remgro Limited |
| | Discovery Hlds Ltd | Resilient Prp Inc Fd |
| | Datatec Limited | RMI Holdings |
| | Emira | SA Corp Real Est Fd |
| | EOH Holdings | Standard Bk Grp Ltd |
| | Famous Brands Ltd | Super Group Limited |
| | Growthpoint | Sun International |
| | Hosken Consolidated | Tsogo Sun Holdings Ltd |
| | Hyprop Inv Ltd | Vukile Property Fund |
| | Illovo Sugar Limited | Vodacom Group |

Source: S&P



Thank you - questions?



Contacts

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|--|---|
| <p>Gareth Stobie Telephone: +27 (0)11 459 1866 Fax: +27 (0)11 388 2341 Email: gareths@coreshares.co.za</p> | <p>Gladness Rupare Telephone: +27 (0)11 459 1803 Fax: +27 (0)11 388 2341 Email: gladnessr@coreshares.co.za</p> |
| <p>Thandeka Mthembu Telephone: +27 (0)11 459 1865 Fax: +27 (0)11 388 2341 Email: thandekam@coreshares.co.za</p> | <p>Chris Rule Telephone: +27 (0)11 459 1846 Fax: +27 (0)11 388 2341 Email: chrisr@coreshares.co.za</p> |



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