

Presentation to:

Grindrod Bank PrefEx ETF & etfSA.co.za Investment Seminar

Mike Brown
Managing Director
etfSA.co.za

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The Home of Exchange Traded Funds[®]



What Are Exchange Traded Funds (ETFs)?

- **Securities listed and traded like normal shares on the JSE.**
- **But give access to a portfolio of shares rather than a single company.**
- **The ETF share portfolio matches exactly the components and weightings of an index or asset.**

The PrefEx ETF Index “Basket” (J251 Index)

Instrument Name	Weight in Index	Instrument Name	Weight in Index
Standard Bank Group Ltd Non-Redeem Pref	18,56%	Discovery Holdings Ltd Pref	3,04%
		Grindrod Ltd Pref	2,52%
Absa Bank Ltd Pref	15,39%	Africa Bank Inv Pref	2,35%
FirstRand Ltd B Pref	14,87%	Network Healthcare Cp	2,05%
Nedbank Ltd Pref	13,64%	Imperial Holdings Pref	1,55%
Investec Bank Pref	8,84%	Capitec Bank Hldgs Pref	0,96%
Investec Ltd Pref	5,15%	Investec PLC Pref	0,88%
Steinhoff Invest Hldg Pref	4,85%	Sasfin Holdings Ltd Pref	0,60%
PSG Financial Serv Pref	4,26%	Astrapak Ltd Pref	0,48%
			100,0%

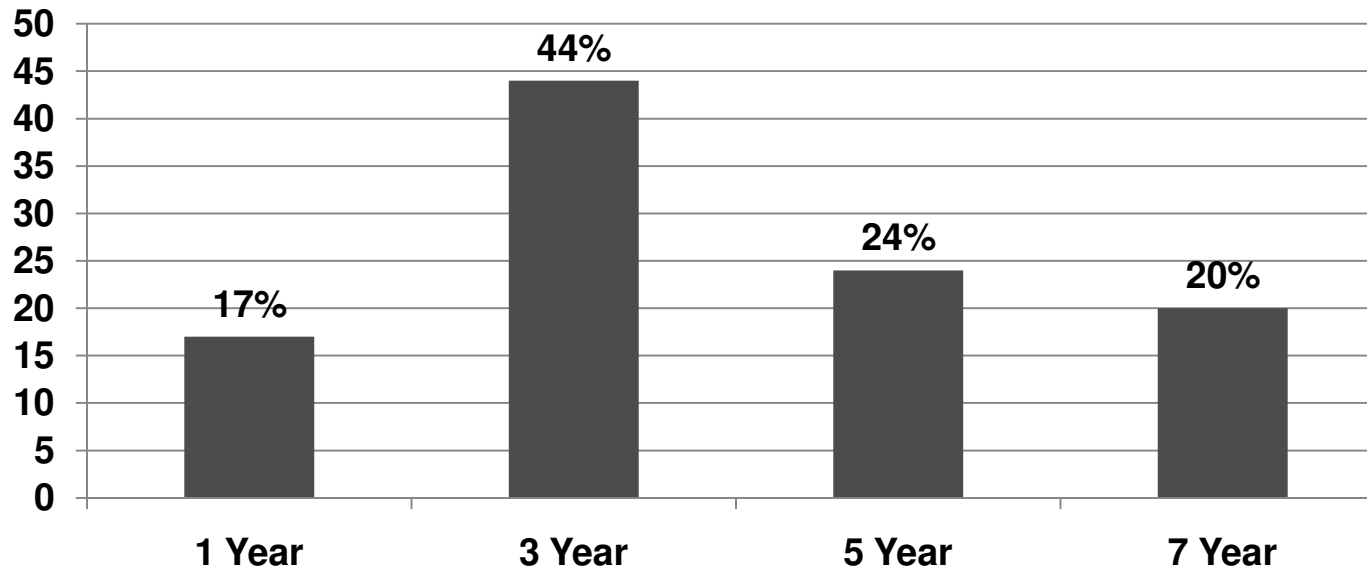
Features of ETFs

Passive Management

- Provides the total return of the benchmark or asset being tracked
- The benchmark provides the average return of the market

Active Funds Struggle to Beat the Average Return of the Markets

Percentage of Active Unit Trusts that Outperform the FTSE/JSE SWIX Index



Source: DRW - "The Quest for Alpha" (September 2011)

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Features of ETFs? (Continued)

Diversification	<ul style="list-style-type: none">• Investments in a basket of shares provides diversification which reduces risk (volatility) and should enhance performance.
Transparency	<ul style="list-style-type: none">• Portfolios always published (daily).• Prices of ETFs/ETNs made and published on the open market.
Liquidity	<ul style="list-style-type: none">• Trade on the secondary market.• Market makers offer liquidity.
Centralised Registration, Settlement and Clearance	<ul style="list-style-type: none">• Through the JSE/STRATE/CSDP electronic register.• No failed trades for more than 10 years.
Low Costs	<ul style="list-style-type: none">• TER for PrefEx ETF 0,45% per annum.• TER for Grindrod Pref share Unit Trust 0,94% per annum

For More Information on ETFs/ETNs

Click on the "ETF or ETN" button



"Quick Sheets": daily price information
Profile pages

"Fact Sheets":

Profile page:



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PrefEx

Domestic--Fixed Interest--Varied Specialist

Focus and Objective

PrefEx Securities are ETF securities that aim to provide investors with an efficient and easily accessible means by which to achieve a return that tracks the price and yield performance of the J251 Index. The J251 Index tracks the performance of preference shares issued by constituent companies and traded on the JSE. "PrefEx Securities will attempt to place an investor in substantially the same position, from a capital and income perspective, as if they held the underlying constituents of the J251 index in their correct weightings," says Gareth Stobie, Head of Capital Markets at Grindrod Bank.

Comparative Performance

Technical Overview

FORMATION DATE:	28 Mar 2012
BENCHMARK: PREFERENCE SHARE INDEX (J251)	
HOLDINGS:	n/a
UNIT HOLDERS:	n/a
ORIGINAL PRICE:	n/a
PRICING SYSTEM:	Forward
INCOME DECL:	28/02,31/05,31/08,30/11
MINIMUM LUMP SUM:	n/a
MINIMUM MONTHLY:	n/a

Fees

TER:	n/a
ANNUAL:	0.2%
PERFORMANCE:	n/a

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Price Information on ETFs/ETNs

etfSA Monthly ETF/ETN & Index Tracking Product Performance Sheet

Performance Data

Various performance, cost and other information surveys about ETFs are available on this website and are regularly updated by etfSA to provide a comprehensive statistical view of the ETF industry in South Africa.

Monthly Data

etfSA Performance Survey ▶ [March 2012](#)



etfSA Performance Survey ▶ [February 2012](#)



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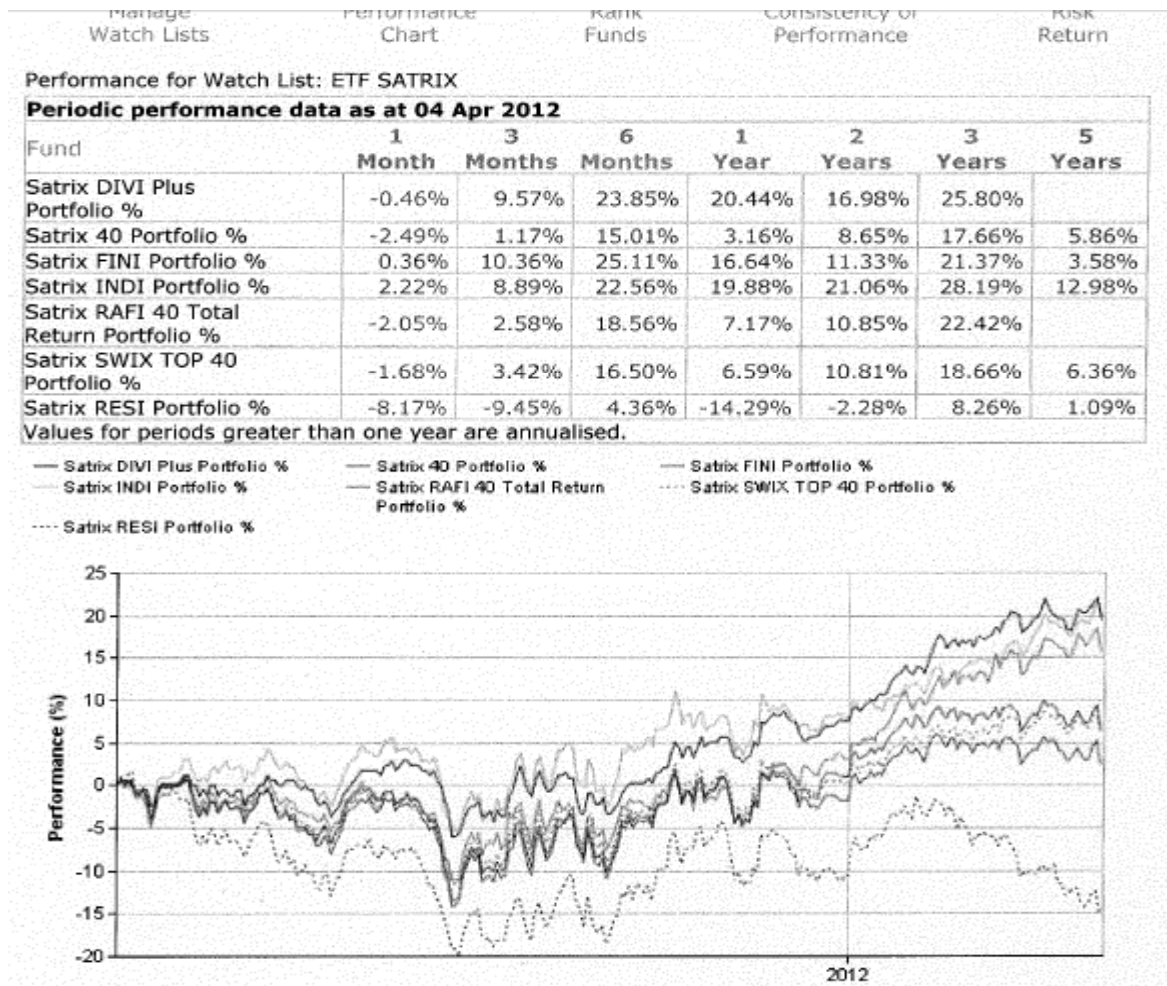
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Price Information on ETFs/ETNs

(continued)

“Watchlist”



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How to Invest

Click on the "Learn More button, then **"How to Invest"**

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etf How to invest

Invest now in the etfSA Investor Scheme™ from as little as R300 per month or from R1000 for once-off lump sum amounts in all the ETFs in South Africa.

Low annual costs cover all administration, registration, custodianship, reinvestment of dividends, statements, etc. Only 0,45% to 0,8% per annum (depending on size of investment).

All transactions (buy, sell, transfers and switches) can be done online, or by downloading the application form.

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Investors can transact (buy, sell, switch, transfer, etc.) on any of the ETF products listed on this website through the "etfSA Investor Scheme™". Investors who utilize the etfSA Investor Scheme™ for transaction in ETFs are and remain the clients of etfSA.co.za. etfSA.co.za will protect the privacy and respect the confidentiality rights of its clients at all times. etfSA.co.za is owned and managed by Mike Brown Consulting Services (a registered Financial Services Provider FSP No. 39217). etfSA.co.za, its logo and slogan are registered trademarks.

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Interest Rate ETFs

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Interest Rate ETF Products

Fund	JSE Code	Index Tracked	Pro's	Con's
Investec zGOVI	ZGOVI	Government Bond Index (9 RSA Bonds)	Fixed interest return. Coupons (interest) reinvested twice annually through new issues of securities.	If interest rate rises, capital value of bonds fall.
NewFunds GOVI	NFGOVI	Government Bond Index	Total return fund. Income automatically reinvested, so price of ETF goes up accordingly.	Capital value falls if interest rates rise.
RMB Inflation-X	RMBINF	Index of 6 RSA Inflation Linked Bonds	Both capital and coupons (interest) are adjusted for inflation. Interest paid out quarterly.	Need to reinvest income to get total return.
NewFunds ILBI	NFILBI	Index of 6 RSA Inflation Linked Bonds	Index accounts for inflation on monthly basis. Coupon automatically reinvested as total return fund.	Works best in a rising inflation rate environment.
NewFunds TRACI 3 Month ETF	NFTRCI	Composite 3 Month Money Market Index	Total return fund. Income reinvested monthly.	No running yield published.
Grindrod PrefEx	PREFEX	FTSE/JSE Preference Share Index	Yield on preference shares relatively high. Capital Preservation Yield taxed as dividends.	-

How Inflation-Linked Bonds Work

An investment of R1 000 is made in an Inflation-Linked Bond paying interest (real yield) of 2.80% annually for 3 years.

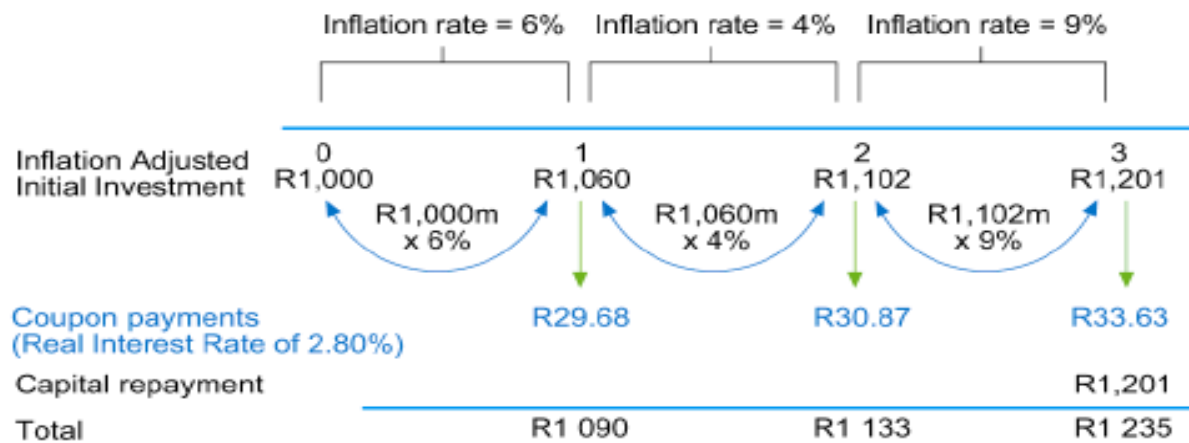
Expected Return = 2.80%* + Inflation (CPI)

Assume:

Inflation (CPI) Year 1 = 6%

Inflation (CPI) Year 2 = 4%

Inflation (CPI) Year 3 = 9%



RSA Retail Bonds and Interest Rate ETFs

RSA Retail Bonds		ETFs	
Pro's	Con's	Pro's	Con's
<ul style="list-style-type: none"> • No Fees. • Do not suffer from capital depreciation. • Can nominate beneficiaries for your RSA bonds in event of your death, but still applicable for estate duty. 	<ul style="list-style-type: none"> • Locked in for fixed period. • Penalty for early withdrawal or have to lock-in for further fixed period. • Do not benefit from capital appreciation. • Maximum investment R5 million. 	<ul style="list-style-type: none"> • Low fees. • No locked-in period. • Benefit from capital appreciation. • Compound effect of reinvestment of income. • Invest in a portfolio of bonds to maximise returns. 	<ul style="list-style-type: none"> • Can suffer capital depreciation. • Treated like normal securities for estate purposes.

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RSA Retail Bonds and Interest Rate ETFs (continued)

Performance Data – Total Returns on Retail Bonds

Fixed Rate Bonds	1 Year	2 Years (p.a.)
RSA Retail Savings Bond	7,25%	7,50%
zShares GOVI ETF	12,80%	12,08%
Inflation-Linked Bonds		
RSA Inflation-Linked Retail Bond	6,15%	7,56%
RMB Inflation-X ETF	13,93%	12,26%
<p><i>Sources: SA National Treasury etfSA Monthly Performance Survey (as at 30 January 2012)</i></p>		

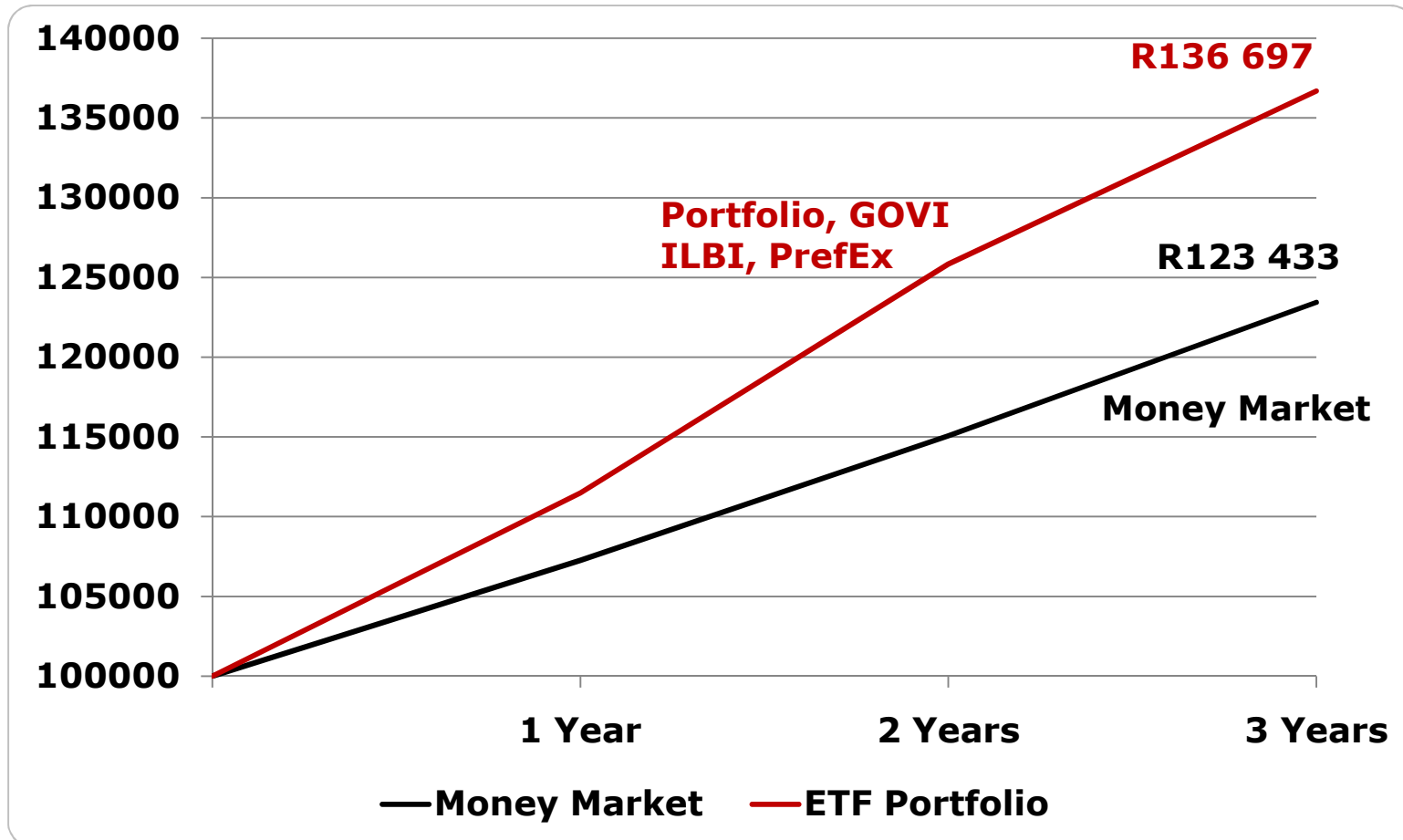
Performance of Interest Yielding Products (% Return)

	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)
zShares GOVI	6,11	8,28	11,09	6,73
BIPS Inflation-X Linked ETF	7,28	12,42	11,34	7,10
*Grindrod Preference Share	7,11	6,95	10,34	12,06
Comparison – Money Market Funds				
Average	2,67	5,52	6,18	7,27
Best Performance Fund	2,86	5,58	6,59	7,73
Worst Performance Fund	2,39	5,10	5,86	6,94

*** Grindrod Diversified Preference Shares Unit Trust (TER of 1,05% p.a. PrefEx ETF will have TER of 0,45% p.a.)**

Performance Data – Unit Trust Performance Survey –
ASISA (31 December 2011)

Comparative Return - Money Market & ETF Portfolio



Contact details

Website	www.etfsa.co.za – fully internet based
etfSA Call Centre	0861 383 721 (0861 ETFSA1) queries@etfsa.co.za
etfSA Management	Tel: 011 561 6653 Fax: 011 388 4674 info@etfsa.co.za

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