

Bips Exchange Traded Funds

Inflation-X

Inflation-X is a fixed income Exchange Traded Fund managed by Rand Merchant Bank and is listed on the JSE Limited (JSE). Inflation-X offers you exposure to a diversified basket of Government Inflation-Linked Bonds. It gives you a real rate of return, in the form of a real yield plus a return linked to inflation(CPI) thereby eliminating the uncertainty accompanied by inflation. ETFs are a simple, cost-effective way to obtain exposure to a particular asset class. They can be purchased through a broker the same way that you would purchase an ordinary share.

FUND DETAILS

Fund Name	Bips Government Inflation-Linked Bond Fund (Inflation-X)
Nature	Inflation-X provides investors with exposure to Inflation-Linked Bonds issued by the South African Government. This fund can be used to offset the inflation risk experienced by an individual investor or investment portfolio.
Underlying Index	Government Inflation-Linked Bond Index ("GILBx").
Total Expense Ratio (TER)	TBA
Upfront Fee	0%
Distribution Dates	March, June, September and December
Risk Profile	Conservative
Yield	Inflation + 2,58% (Real yield of fund)*

PERFORMANCE (TOTAL RETURN)

FUND

INDEX

1 Year	n/a	11,75%
3 Year	n/a	35,5%
5 Year	n/a	72,07%

Returns measured up to 31 January 2009

Source: RMB

*The actual yield earned on an inflation-linked bond is the real yield it is purchased at in the market plus actual realised inflation over the term of the bond (ignoring reinvestment risk of coupons). The quoted real yield of 2,58% is variable and is the weighted average of the real yields of the underlying bonds making up the index at the time of purchase.

The weights takes into account both duration and cash value of the underlying bonds.

Inflation-X

Inflation-X provides you with direct exposure to Inflation-Linked Bonds issued by the South African Government. Inflation-X aims to track the performance of the Government Inflation-Linked Bond Index ("GILBx") and is listed on the JSE, providing a seamless and cost effective way to invest in Government Inflation-Linked Bonds.

The underlying portfolio consists of the four Government Inflation-Linked Bonds. Any new issuances from National Treasury may be included in the fund and any existing bonds with less than one year to maturity will be excluded.

Inflation-Linked Bonds provide investors with both a hedge against inflation as well as a real yield. The product should therefore appeal to investors who wish to hedge out uncertainty regarding inflation as well as to those who target a real rate of return when investing.

Inflation-X will pay interest to investors quarterly. The initial amount invested will increase in line with inflation, as represented by changes in the consumer price index published by Stats SA, thereby preserving your capital investment in real terms. The interest payments (also known as coupons) are calculated and paid on the inflation adjusted amount invested, and thus provide you with a fixed-rate real return. Refer to Figure 2 for a simple illustration as to how your initial investment and interest are adjusted for inflation.

Inflation-Linked Bonds

Inflation-Linked Bonds as an asset class have experienced exceptional growth in popularity over the past 5 years. Demand has been primarily driven by the risk diversification they offer investors, their effective hedge against inflation, as well as their superior risk-adjusted returns as government bonds are essentially free of credit risk. Until recently however their accessibility has been primarily limited to institutional investors. The introduction of the Inflation-X, now makes it possible for retail investors to also enjoy the benefits of this asset class, through being able to purchase it on the JSE, for the first time in South Africa.

Since inception of Inflation-Linked Bonds there has always been a positive return on investment over every 12-month period for which the underlying bonds were held. This is due to the continuous inflationary adjustment made to the principal amount of the bond.

A further illustration of this diversification benefit can be seen in Figure 3. It shows the value over time of R100 invested in the Inflation-Linked Bonds.

Inflation-Linked Bond returns also exhibit low correlation to other asset classes such as equities. Their introduction into a portfolio may as a result help reduce overall portfolio volatility. Figure 4. Illustrates how Inflation-Linked Bonds have outperformed other asset classes over the past 5 years on a risk-adjusted basis.

As an investment class for individuals, Inflation-Linked Bonds are an ideal asset to enhance retirement savings or substitute fixed deposits as they offer attractive yields, are guaranteed by the South African government and offer capital preservation against inflation. Another benefit of this product is that interest is paid out on a quarterly basis thereby providing cash flow for the investor .

As the security is interest bearing investors should seek independent advice regarding its tax treatment.

For further information on this inflation-linked bond ETF please contact Gill Raine (+27 11) 282-8124 or Chris Dowley (+27 11) 282-4879.

Figure 1 Universe of Government Inflation-Linked Bonds (31 Jan 2009)

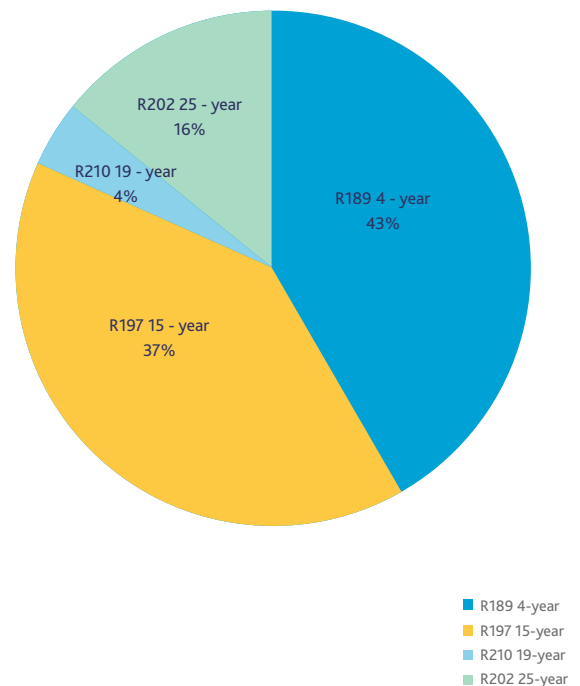


Figure 2 - Example of how Inflation-Linked Bonds and interest are adjusted for Inflation

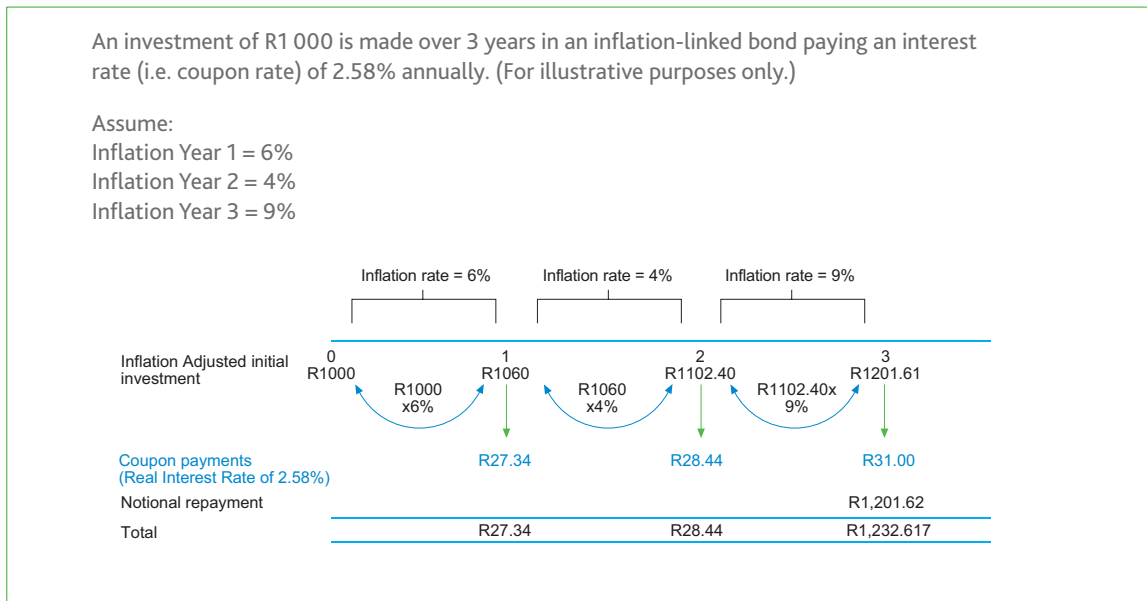


Figure 3 - Value of R100 invested from 1 Jan 04 to 31 Jan 09

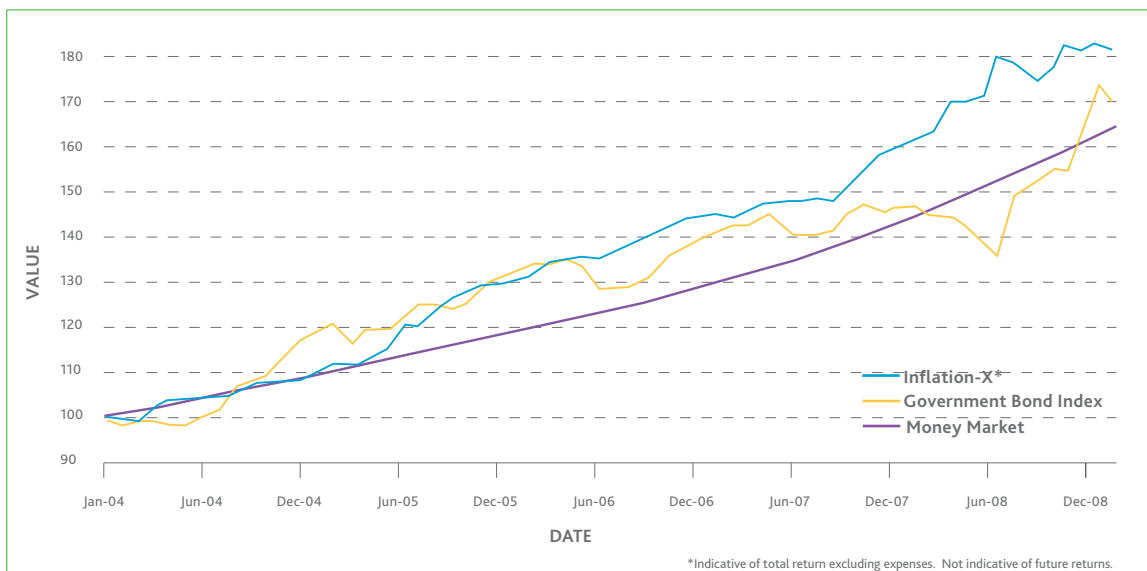


Figure 4 - 5 yr Risk adjusted Return (Sharpe Ratio)



DISCLAIMER

Exchange Traded Funds (ETF's) are Collective Investment Schemes in Securities (CIS) that trade on the JSE Limited. When trading in ETF's you may incur the normal costs associated with listed securities, including brokerage, settlement costs, Securities Transfer Tax (STT), other statutory costs and administrative costs. The price at which ETF's trade on the Exchange may differ from the Net Asset Value price published at the close of the trading day, because of intra-day price movements in the value of the constituent basket of securities.

The price at which a participatory interest trades on the JSE Limited may differ from the price at which Bips Investment Managers (Pty) Limited repurchases participatory interests and from the price published daily in the press in the listing of "unit trust prices"

Historic pricing is used to calculate the Net Asset Value of the fund.

Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down.

Portfolio Objectives

Each Bips portfolio aims to replicate or track, before expenses, the performance of an applicable Index (the Index) in terms of both the price performance and the income from the component securities of the Index. This allows investors the opportunity to obtain market exposure to the performance of the Index in an easily tradable form through the shares being listed on the JSE Limited.

The investment policy of each portfolio is to replicate the price movement and income yield of the index that it is designed to track. This is achieved by purchasing the constituent securities in the same weighting as they are included in the relevant index. The asset manager is not mandated, nor incentivised, to outperform the index. It is anticipated that tracking error will not exceed 0.10%.

Risk factors

As with all investments, subscribing for, or purchasing shares in a Bips portfolio involves certain risks. Investors will be subject to the risks associated with equity and equity related securities, including tracking accuracy, secondary market trading risk, index risk, credit risk and those risks associated with the trading of derivatives.

Calculation of the Net Asset Value

Collective Investment prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee/custodian charges and annual management fees) from the portfolio, divided by the number of participatory interests in issue. The Net Asset Value and the NAV per share will be calculated on each valuation day. The Net Asset Value and the NAV per share will be determined on the basis of the last closing prices on the business day immediately preceding the valuation day or the last available prices from the markets on which the investments of the applicable Bips portfolio are traded.

Charges

Quantifiable charges:

Initial Fee: 0%

Managers Annual Management Fee: up to 39 bps

Exchange Trading Fees:

- Brokerage
- Securities Transfer Tax (STT)
- Trading Fees (STRATE)
- Administration fees
- Statutory Fees

Non-quantifiable charges:

Auditor's fees, bank charges, trustee and custodian fees
Brokerage and Securities Transfer Tax payable on the acquisition or disposal of the underlying assets in the portfolio.

Details of Service Providers:

Trustee

Absa Capital Investor Services
Entrance 6E1, 6th Floor, Absa Towers North, 180 Commissioner Street, Johannesburg, 2001
PO Box 61218, Marshalltown, 2107

Custodian

Absa Capital Investor Services
Entrance 6E1, 6th Floor, Absa Towers North, 180 Commissioner Street, Johannesburg, 2001
PO Box 61218, Marshalltown, 2107

Manager

Bips Investment Managers (Pty) Limited (Registration number 2006/036970/07)
1 Merchant Place, Cnr Fredman Drive & Rivonia Road, Sandton
P.O Box 786273, Sandton, 2146

The directors of Bips Investment Managers (Pty) Limited have no material interest in the shares or units of the funds. The directors are not remunerated for the discharge of their responsibilities and obligations .

The manager may borrow up to 10% of the market value of the portfolio for liquidity purposes. The manager may also engage in scrip lending of constituent securities of the fund, on the basis that collateral will at all times exceed the form and with the value of the loan, as prescribed by Collective Investment Schemes Control Act of 2002.

Historic pricing is used to value the shares and units.

At the date of this publication, no income has accrued in the portfolio and the various portfolios have made no distributions. Investors are able to obtain a figure of daily income accruals in each fund by visiting the Bips website (www.bipsetf.co.za).

The various portfolios are valued at 17:00 in the country in which the underlying assets are domiciled.

Notice of redemptions must be made to the manager by no later than 10:00 on the day prior to the intended trade day.

Bips Investment Managers (Pty) Limited is a member of the Association of Collective Investments and the Collective Investment Scheme is regulated and approved by the Financial Services Board in South Africa.

Contact

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