

Bips Exchange Traded Funds

Bips Inflation-X



BIPS TOP INFLATION-X FUND AS AT 30 SEPTEMBER 2011

FUND OBJECTIVE

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 investors exposure to a diversified portfolio of Government Inflation-Linked Bonds. It offers a real rate of return, in the form of a real yield plus a return linked to inflation (CPI).

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.

UNDERLYING INDEX

The Inflation-X fund tracks the GILBx index (price-weighted), which contains all 6 Inflation-Linked bonds issued by the South African Government. The GILBx index is reweighted monthly. Coupons are distributed quarterly to investors, net of fees.

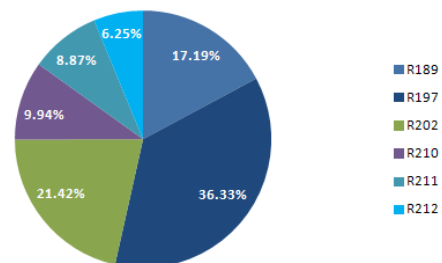
FUND DETAILS

| | |
|------------------------------|--|
| Fund size | R725m |
| Current real yield | CPI + 2.03%* |
| Cash yield LTM (net of fees) | 3.58% |
| Risk profile | Capital preservation |
| Fund size units | 46,000,000 |
| Index performance (quarter) | 3.04% (Including coupons) |
| Fund performance (quarter) | 3.12% (Including coupons) |
| TER | 0.43% |
| Net asset value (NAV) | R15.76 |
| Last distribution | 0.1433 (September 2011) |
| Up front fee | 0% |
| Distributions | Quarterly, end March, June, September, and December. |
| Listing date | 20 May 2009 |
| Trading code | BIPINF |
| ISIN | ZAE000134185 |
| Bloomberg code | BIPINF SJ EQUITY |
| Reuters RIC | BIPINFJ |

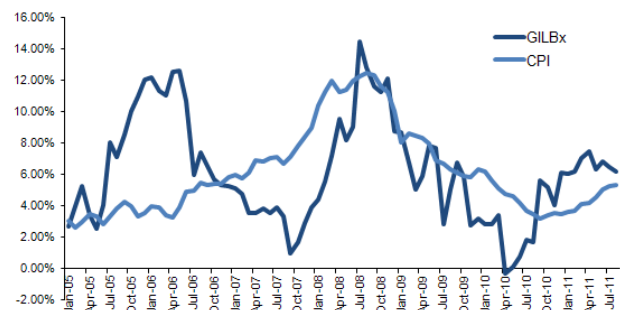
Returns are measured up to 30 September 2011
 Source: RMB

* The quoted real yield of 2.03% is variable and is the weighted average of the real yield of the underlying bonds in the Inflation-X fund at the time of purchase.

FUND HOLDINGS



GILBx INDEX VS. CPI ANNUALISED



Tracking error is distorted during each quarter due to timing differences between the bonds going ex-coupon and the fund going ex-coupon. This is temporary and persists until coupons are paid by the fund at month end.

FUND PERFORMANCE

| Return (%)* | Bips Inflation-x | GILBx |
|-----------------|------------------|-------|
| Since Inception | 8.43% | 8.99% |
| Last 12 Months | 8.91% | 9.17% |

* Returns include reinvestment of distributions. Return over 12 months have been annualised.

INFLATION X OVERVIEW

Inflation-X provides investors 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.

Inflation-Linked Bonds provide investors with both a hedge against inflation and a real yield (return in excess of inflation). This product should therefore appeal to those wishing to hedge out uncertainty regarding inflation, as well as those targeting a real rate of return when investing.

Inflation-X pays interest quarterly, providing quarterly cash flow for investors. The amount invested will increase in line with inflation, as represented by changes in the consumer price index (CPI) published by Stats SA. Interest payments (also known as coupons) are calculated and paid on the inflation adjusted amount invested and provide a fixed-rate (currently 2.32%), real return to investors. Refer to Figure 1 for a simple illustration of the cash flows of Inflation-Linked Bonds.

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 effective hedge which they provide against inflation as well as the positive risk adjusted real returns they offer investors. Until recently however their accessibility has been primarily limited to institutional investors. The introduction of Inflation-X, now makes it possible for investors to access this asset class on the JSE by purchasing Inflation-X units.

Inflation-Linked Bond returns exhibit a low correlation to other asset classes such as equities. Their introduction into a portfolio may help reduce overall portfolio volatility.

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

Figure 1 - Illustration of Inflation-Linked Bond cash flows (simplified example)

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

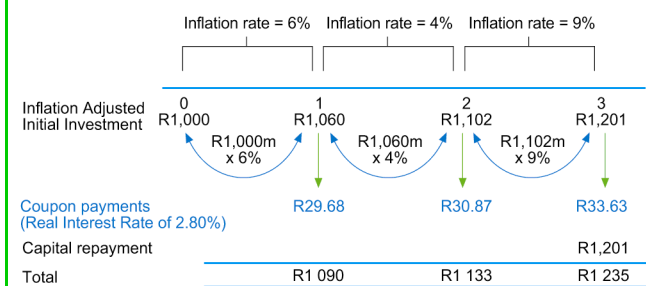
Expected Return = 2.80%* + Inflation (CPI)

Assume:

Inflation (CPI) Year 1 = 6%

Inflation (CPI) Year 2 = 4%

Inflation (CPI) Year 3 = 9%



* The real return earned on Inflation-Linked Bonds is variable, however the rate is fixed at the time of purchase. Returns are not guaranteed and are subject to market risk.

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