

Bips Exchange Traded Funds

Bips Inflation - X



BIPS TOP INFLATION-X FUND AS AT 31 DECEMBER 2010

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.

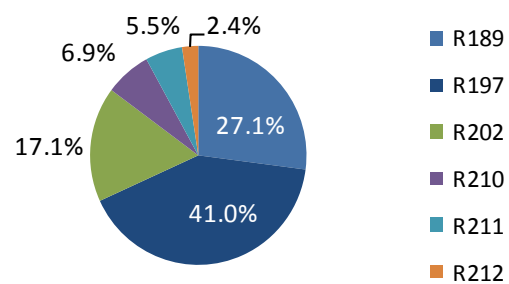
UNDERLYING INDEX

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.

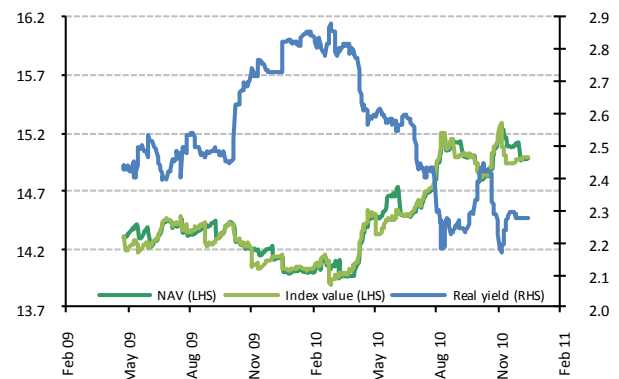
FUND DETAILS

Fund Size	R623m
Fund Size Units	41,600,000
Index Performance (Quarter)	-0.003%
Fund Performance (Quarter)	-0.002%
TER	0.45%
Net Asset Value (NAV)	R14.98
Last Distribution	0.1520 (Dec 2010)
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
Yield	CPI + 2.27%
Historic 12 month dividend yield	3.85%

FUND HOLDINGS



GILBX INDEX VS. NAV VS. REAL YIELDS



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	11.60%	11.80%
Last 12 Months	8.74%	8.94%

* Returns include coupons distributed net of fee's charged to the fund

Returns measured up to 31 December 2010

Source: RMB

* The actual yield earned on inflation-linked bonds is equal to the real yield at the time of purchase plus CPI over the term of the bond (ignoring reinvestment risk of coupons). The quoted real yield of 2.23% 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. The weights take

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 initial amount invested will increase in line with inflation, as represented by changes in the consumer price index (CPI) published by Stats SA, thereby preserving the capital investment in real terms. The interest payments (also known as coupons) are calculated and paid on the inflation adjusted amount invested and provide a fixed-rate, real return. Refer to Figure 1 for a simple illustration of the cash flows of Inflation-Linked Bonds.

Inflation-Linked Bonds

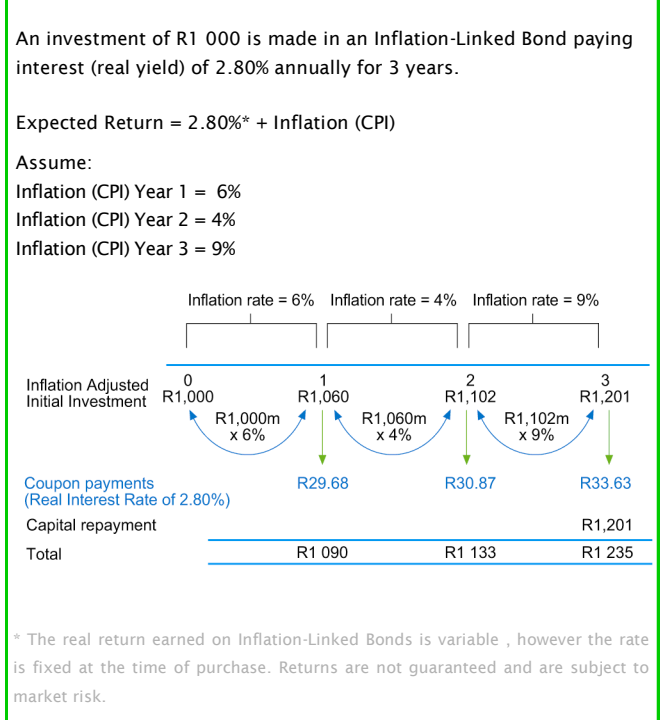
Inflation-Linked Bonds as an asset class have experienced exceptional growth in popularity over the past 5 years. Demand has been primarily driven by the diversification they offer investors, their effective hedge against inflation, as well as their superior risk-adjusted returns (as government bonds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

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 over the medium term.

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)



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