

Bips Exchange traded Funds

Bips Inflation-X



21 JULY 2009

FUND DETAILS

Fund Name	Bips Government Inflation-Linked Bond Fund (Inflation-X)
Nature	Inflation-X provides investors with exposure to Government Inflation-Linked Bonds [Figure 1]
Asset Manager	Rand Merchant Bank
Underlying Index	GILBx: 144.42
Total Expense Ratio (TER)	TBA
Upfront Fee	0%
Distribution Dates	March, June, September and December
Risk Profile	Conservative
Yield	Inflation + 2,40% (Real yield of fund, variable)
NAV	14.43
R/pt	1607.00
CPI (YTD)	8.0%
Bloomberg	BIPINF SJ EQUITY

INFLATION-X

Inflation-X tracks the performance of the Government Inflation Linked Bond Index ("GILBx") and is listed on the JSE, providing investors with a seamless and cost effective way to invest in Government inflation linked bonds.

Inflation-linked bonds are an attractive asset class offering investors an effective method of hedging out inflation risk thus preserving their wealth in real terms. As the bonds in the Inflation-X portfolio are issued by the South African Government, the product is essentially credit risk free.

Inflation-X was successfully launched in May 2009 raising in excess of R100m during the IPO. Investor interest remains strong and the fund has continued to attract new inflows with funds under management currently sitting at R132m.

Inflation-X trades in price and is an open ended fund allowing investors to invest either through the secondary market (JSE), where Rand Merchant Banks actively makes a market in the product or through contacting the manager to create additional ETF units. Asset management fees are attractive and based on a sliding fee structure as indicated in Figure 3.

Figure 1: CONSTITUENT BONDS AND RESPECTIVE WEIGHTS

Underlying Bonds	Coupon	Maturity	Portfolio Weight
R189	6.25	2013	45.9%
R197	5.50	2023	36.3%
R202	3.45	2033	14.1%
R210	2.60	2028	3.8%

REAL YIELDS

With inflation expected to average 10.6% over 2009, demand for inflation linked bonds has continued to exert downward pressure on real yields. As a result of the high inflation figures and demand, inflation linked bonds as an asset class have outperformed equities, nominal bonds and cash over 2009.

The real yield on the Inflation-X basket is currently at 2.40% and is expected to remain at these levels over the near term. However, if inflation does come down significantly, we could see the real yield on the basket re-rate upward anywhere between 0.20% and 0.40%.

Figure 2 illustrates the real yields on the Inflation-X portfolio (back-tested) since 2004.

Should you be interested in investing Inflation-Linked Bonds, please feel free to contact RMB for further information on Inflation-X.

Figure 2: REAL YIELDS FOR THE BASKET vs GILBx

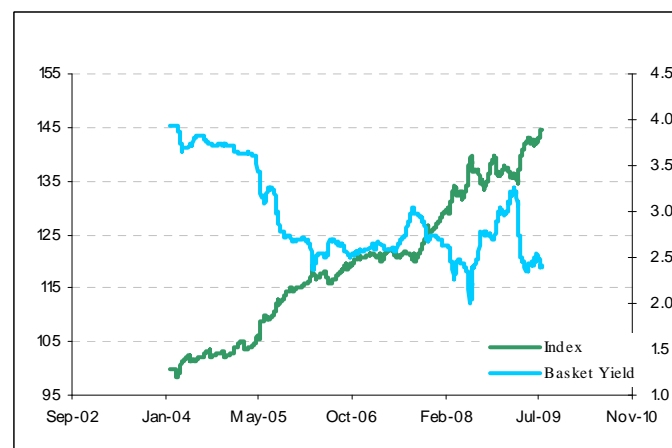


Figure 3: MANAGEMENT FEES

Investment	Incremental Fee (%)
< R1 000 000	0.39
R1 000 000 - R10 000 000	0.35
R10 000 000 - R50 000 000	0.29
R50 000 000 - R100 000 000	0.19
> R100 000 000	0.10



Contact

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