

Bips Exchange traded Funds

Bips Inflation-X



26 JUNE 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: 142.16
Total Expense Ratio (TER)	TBA
Upfront Fee	0%
Distribution Dates	March, June, September and December
Risk Profile	Conservative
Yield	Inflation + 2,52% (Real yield of fund, variable)
NAV	14.38
R/pt	1591.50
May (CPI)	8%
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 R128m.

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	46%
R197	5.50	2023	36%
R202	3.45	2033	15%
R210	2.60	2028	14%

REAL YIELDS

Inflation-Linked Bonds are adjusted upwards for inflation as measured by CPI (primary and secondary). In addition to this adjustment of capital for inflation the bonds also pay a fixed interest coupon known as a real yield. This interest is paid out semi-annually on the underlying bonds, and movements in real yields affect the return achieved over the short term.

The real yield on the Inflation-X basket is currently at 2.52% and is expected to remain at these levels over the near term given that at current levels demand far surpasses supply and that recent CPI figures have consistently surprised to the upside. Figure 2 illustrates the real yields on the Inflation-X portfolio (back-tested) since 2005.

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

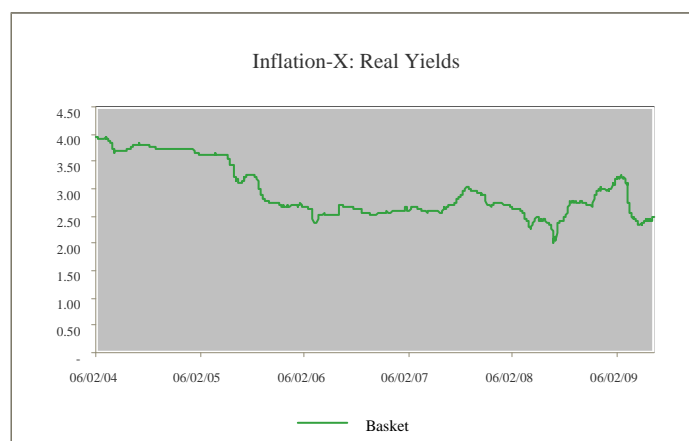


Figure 3: MANAGEMENT FEES

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

DISCLAIMER
Bips (Beta Investment Performance Securities) is an exchange traded funds offering brought to you by Bips Investment Managers (Pty) Limited, an RMB initiative. Bips is an authorised Collective Investment Scheme and is a member of the Association for Savings and Investments South Africa (ASISA). Rand Merchant Bank is a division of FirstRand Bank Limited and is an authorised Financial Services Provider. This research has been written by the Bips team at FirstRand Bank Limited (acting through its Rand Merchant Bank division) (“the Bank”). Whilst all care has been taken by the Bank in the preparation of the opinions and forecasts and provision of the information contained in this report, the Bank does not make any representations or give any warranties as to their correctness, accuracy or completeness, nor does the Bank assume liability for any losses arising from errors or omissions in the opinions, forecasts or information irrespective of whether there has been any negligence by the Bank, its affiliates or any officers or employees of the Bank, and whether such losses be direct or consequential. Nothing contained in this document is to be construed as guidance, a proposal or a recommendation or advice to enter into, or to refrain from entering into any transaction. This research contains information which is confidential and may be subject to legal privilege. It is for intended recipients only. If you are not the intended recipient you must not copy, distribute, publish, rely on or otherwise use it without our consent. Some of our communications may contain confidential information which it could be a criminal offence for you to disclose or use without authority. If you have received this communication in error, please notify us at the address below and destroy the communication immediately. This communication is not intended to nor should it be taken to create any legal relations or contractual relationships. The Bank is an Authorised Financial Service Provider under South African law, for you to disclose or use without authority. If you have received this communication in error, please notify us at the address below and destroy the communication immediately. This communication is not intended to nor should it be taken to create any legal relations or contractual relationships. The Bank is an Authorised Financial Service Provider under South African law.