

FTSE/JSE Research Affiliates Fundamental Indexation® (RAFI®)

31 July 2010

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Rationale

Dibanisa Fund Managers has offered Fundamental Tracking portfolios (also called Price Indifferent Indexation) since November 2007.

The FTSE/JSE RAFI® 40 Index is the first non market cap-weighted FTSE index for the South African market. Launched on 1 October 2007 in association with Research Affiliates, the FTSE/JSE RAFI® 40 Index is designed to reflect the performance of the top 40 companies from the FTSE/JSE All-Share Index by fundamental values.

The FTSE/JSE RAFI® All Share Index was launched by the JSE on 12 May 2008 and is designed to reflect the performance of all the companies from the FTSE/JSE All-Share Index weighted by fundamental values.

Research Affiliates is a research-intensive asset management firm that focuses on innovative products and launched the first Fundamental/RAFI® Index in 2004/05 in the US. FTSE have obtained the rights from Research Affiliates to provide RAFI® indices globally and typically award exclusive use of RAFI® Indices to a dominant tracker fund manager in each market. To date FTSE have launched over 35 FTSE RAFI® indices across the globe. RAFI's affiliate partners include: Pimco, Invesco Powershares, Charles Schwab and Old Mutual Global Index Trackers. The FTSE RAFI® Indexes are calculated in accordance with the Industry Classification Benchmark (ICB), a global standard developed in partnership between FTSE Group and Dow Jones Indexes.

FTSE RAFI® Index-linked products offer the advantages of a quantitative active management strategy, broad diversification, economic representation, liquidity, scalability, tax efficiency with the highlights and benefits of passive investment like:

- Consistent, disciplined, predictable and transparent rules-based process.
- Low churn and low costs (trade impact costs, brokerage costs, fund management costs).
- Buy and hold approach that reduces a large amount of trading overlap.

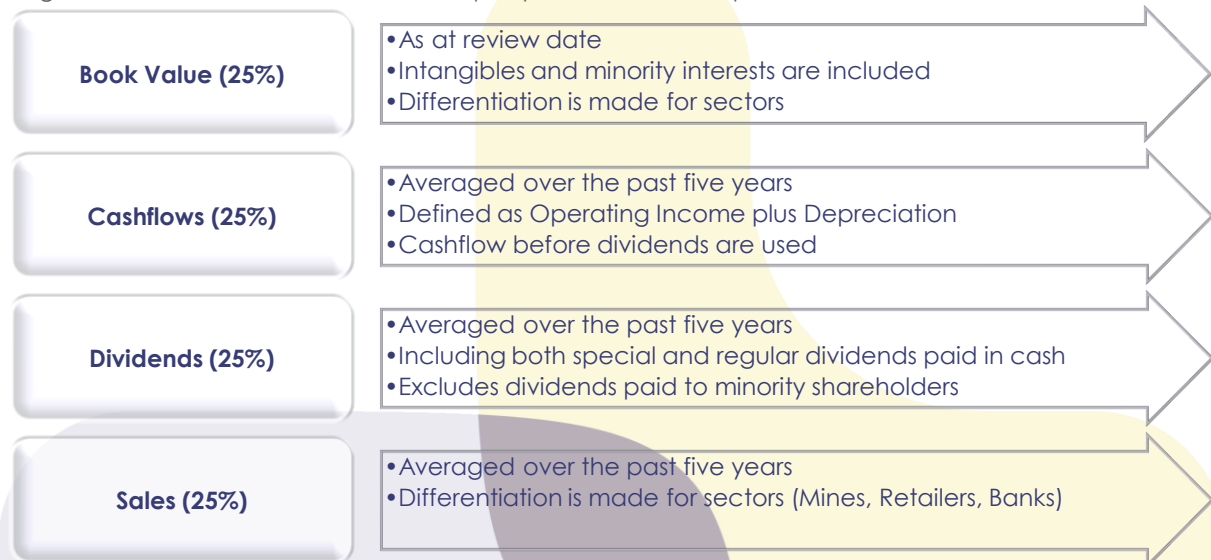
By using four fundamental factors (Book value, Dividends, Cashflows and Sales) rather than prices to weight stocks, reviews of the FTSE RAFI® Indexes take advantage of price movements by reducing the index's holdings in constituents whose prices have risen relative to other constituents, and increasing holdings in companies whose prices have fallen behind. This is effectively a buy-low, sell-high strategy that has been proven to work across various regions, countries, sectors, company sizes and time periods. Fundamentals weighting does not increase exposure to high P/E stocks during episodes of unsustainable P/E expansion. It therefore avoids risk and over-exposure to the more overvalued stocks. Capitalization-based indexing strategies, on the other hand, systematically overweight overpriced securities and underweight underpriced securities causing it to underperform or outperform as stock prices correct. Such a market momentum strategy, buying high and selling low also increases overall risk.

Methodology

Research Affiliates applies the following methodology when constructing the RAFI® Index:

Factors Used

The FTSE/JSE universe of companies is ranked from highest to lowest by each of the following four equally weighted factors to best measure a company's economic footprint and size:



If a company has a zero dividend percentage, then the average of the other three factors is taken.

Collectively, the metrics perform well against market capitalisation indexes but each factor on its own results in an overexposure to a risk factor:

- Book Value – overexposure to companies with aggressive accounting
- Cashflow – overexposure to cyclical stocks at cyclical peaks
- Dividends – overexposure to mature, stable companies and exclusion of growth stocks
- Sales – overexposure to large companies with thin margins

The four factor composite approach mitigates the excesses and peculiarities associated with each individual factor, thus improving the robustness of the methodology.

Weighting

A total fundamental value is given to each company by taking the average weighting of each fundamental measure. The RAFI® total fundamental value for each company is divided by the free-float market capitalisation to create the individual weightings. A FTSE/JSE liquidity screen is also applied.

Averaging

Fundamental indexing investments are less exposed to market boom-and-bust cycles. The factors are based on rolling five-year trailing averages. This ensures that the portfolio is less reactive to short term changes in a company's fundamentals – preferring rather to reward management that deliver long term value and provide an indication of the company's intrinsic value over time. A company that has generated vastly improved short-term cash flows, sales and dividends will need to do so consistently for at least three years before the RAFI® factors start to reward the company with a higher weighting. This

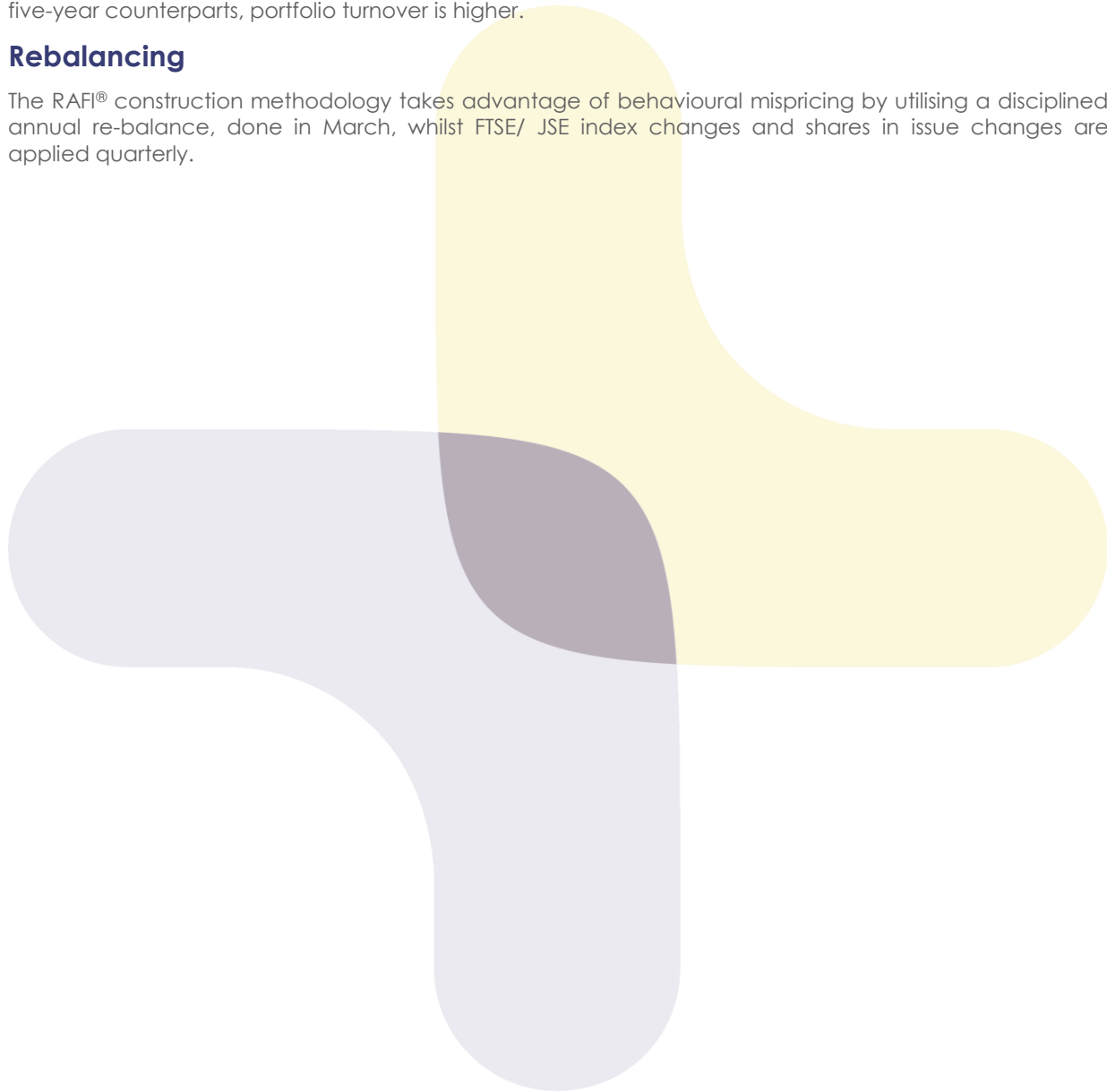
Applied common sense.

allows the fund to focus on buying shares for their future earnings potential rather than buying shares as market sentiment drives their prices higher. This ensures a reduction in volatility and re-balancing turnover.

If there are fewer than five years of data available, the average of the years of data that are available are taken. It can be shown that although the results are not materially different from those of their trailing five-year counterparts, portfolio turnover is higher.

Rebalancing

The RAFI® construction methodology takes advantage of behavioural mispricing by utilising a disciplined annual re-balance, done in March, whilst FTSE/ JSE index changes and shares in issue changes are applied quarterly.



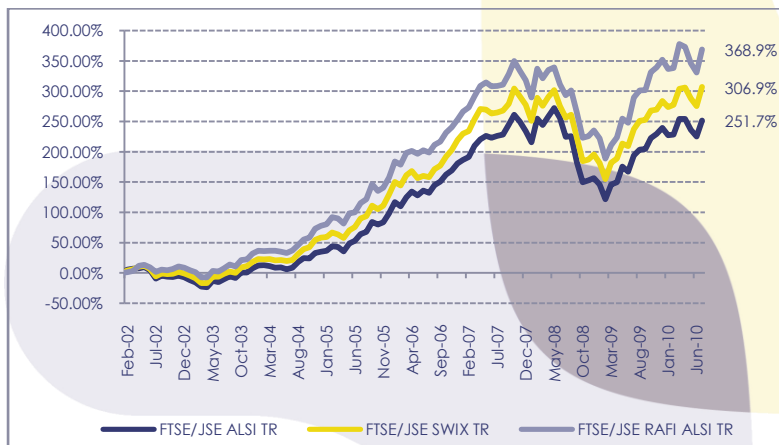
Performance

This section includes data related to the FTSE/JSE Total Return (TR) indices, in order to show that Fundamental Indexing is superior to market capitalisation weighted and shareholder weighted indices. The FTSE/JSE RAFI® ALSI TR¹ will be compared to the FTSE/JSE ALSI TR and FTSE/JSE SWIX TR indices, while the FTSE/JSE RAFI® 40 TR² will be compared to the FTSE/JSE ALSI 40 TR and FTSE/JSE SWIX 40 TR indices, since the inception of the SWIX indices (31 Jan 2002). The performance of the Dibanisa RAFI® portfolios will be compared to their respective RAFI® indices in the following section (see page 18).

Absolute Performance

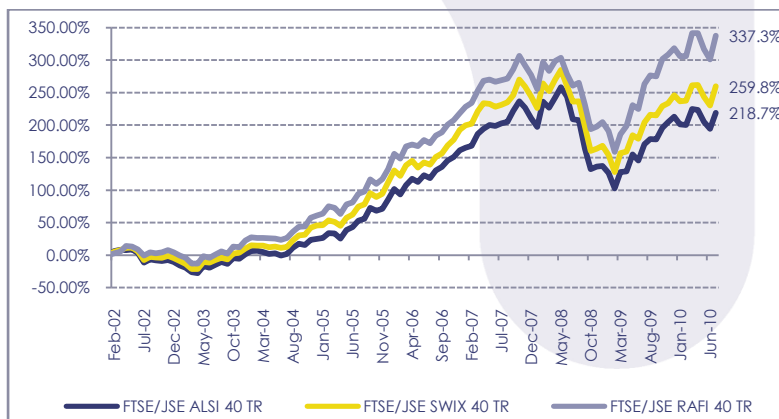
Cumulative

Figure 1: Cumulative Total Return from 31 Jan 2002 to 31 Jul 2010



Source: I-Net Bridge

Figure 2: Cumulative Total Return from 31 Jan 2002 to 31 Jul 2010



Source: I-Net Bridge

¹ FTSE/JSE RAFI® ALSI was launched on 12 May 2008. Data prior to this was back-tested.

² FTSE/JSE RAFI® 40 was launched on 1 Oct 2007. Data prior to this was back-tested.

As depicted in Figure 1, the FTSE/JSE RAFI® ALSI index outperformed both the FTSE/JSE ALSI and FTSE/JSE SWIX indices on a cumulative basis between 31 Jan '02 and 31 Jul '10.

The FTSE/JSE RAFI® ALSI index has performed much better than the FTSE/JSE ALSI and FTSE/JSE SWIX indices during the financial crisis recovery.

The same trends can be seen in Figure 2, where the FTSE/JSE RAFI® 40 index outperformed both the FTSE/JSE ALSI 40 and FTSE/JSE SWIX 40 indices on a cumulative basis between 31 Jan '02 and 31 Jul '10.

The FTSE/JSE RAFI® 40 index has performed especially well since March 2009.

Annualized

Table 1: FTSE/JSE ALSI Performance Triangle from 31 Jan 2002 to 31 Jul 2010

		Start Year								
		2002	2003	2004	2005	2006	2007	2008	2009	2010
End Year	2002	-7.34%								
	2003	3.88%	16.08%							
	2004	10.82%	20.67%	25.44%						
	2005	19.16%	28.95%	35.91%	47.25%					
	2006	23.35%	31.92%	37.66%	44.21%	41.23%				
	2007	22.64%	29.27%	32.79%	35.34%	29.74%	19.19%			
	2008	14.61%	18.51%	19.01%	17.45%	8.92%	-4.34%	-23.23%		
	2009	16.68%	20.37%	21.10%	20.25%	14.31%	6.53%	0.71%	32.13%	
	2010	15.94%	19.23%	19.71%	18.72%	13.27%	6.50%	1.96%	21.98%	3.66%

Returns for 2002 and 2010 do not include full calendar year performance.
Source: I-Net Bridge

Table 2: FTSE/JSE SWIX Performance Triangle from 31 Jan 2002 to 31 Jul 2010

		Start Year								
		2002	2003	2004	2005	2006	2007	2008	2009	2010
End Year	2002	-0.87%								
	2003	9.21%	19.44%							
	2004	17.09%	26.41%	33.79%						
	2005	23.63%	32.29%	39.23%	44.88%					
	2006	26.66%	34.00%	39.24%	42.05%	39.27%				
	2007	25.17%	30.65%	33.61%	33.55%	28.23%	18.06%			
	2008	16.96%	19.97%	20.08%	16.88%	8.80%	-3.84%	-21.67%		
	2009	18.53%	21.34%	21.66%	19.37%	13.73%	6.31%	0.88%	29.91%	
	2010	17.95%	20.47%	20.62%	18.41%	13.31%	6.97%	2.96%	22.36%	5.95%

Returns for 2002 and 2010 do not include full calendar year performance.
Source: I-Net Bridge

Table 3: FTSE/JSE RAFI® ALSI Performance Triangle from 31 Jan 2002 to 31 Jul 2010

		Start Year								
		2002	2003	2004	2005	2006	2007	2008	2009	2010
End Year	2002	8.49%								
	2003	15.53%	21.55%							
	2004	21.77%	27.95%	34.70%						
	2005	27.31%	33.38%	39.72%	44.94%					
	2006	29.25%	34.31%	38.86%	40.99%	37.14%				
	2007	27.36%	30.99%	33.46%	33.05%	27.47%	18.48%			
	2008	19.12%	20.70%	20.53%	17.23%	9.22%	-2.53%	-19.81%		
	2009	20.99%	22.61%	22.78%	20.53%	15.10%	8.57%	3.93%	34.71%	
	2010	19.94%	21.29%	21.25%	18.99%	13.98%	8.24%	4.52%	23.57%	3.78%

Returns for 2002 and 2010 do not include full calendar year performance.
Source: I-Net Bridge

The Performance Triangles in Tables 1, 2, and 3 show the annualised absolute performance over multiple periods for the FTSE/JSE ALSI, FTSE/JSE SWIX and FTSE/JSE RAFI® ALSI indices. Note that returns for 2002 and 2010 do not include full calendar year performance.

The performance triangles can be read by selecting any starting year (column) and ending year (row). The annualised return for the selected period can be found where the row and column intersects.

By selecting a starting year of 2005 and ending year of 2009, one can find a five year annualised return. The FTSE/JSE ALSI, FTSE/JSE SWIX and FTSE/JSE RAFI® ALSI indices respectively gave 20.25%, 21.66% and 22.78% during this period.

Calendar year performance can be found in the far right diagonal line.

Table 4: FTSE/JSE ALSI 40 Performance Triangle from 31 Jan 2002 to 31 Jul 2010

	Start Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010		
End Year	2002	-10.62%									
	2003	0.66%	13.31%								
	2004	7.96%	18.28%	23.48%							
	2005	17.07%	27.53%	35.29%	48.24%						
	2006	21.56%	30.75%	37.13%	44.52%	40.90%					
	2007	21.12%	28.30%	32.35%	35.45%	29.47%	18.97%				
	2008	13.32%	17.69%	18.58%	17.39%	8.61%	-4.65%	-23.58%			
	2009	15.49%	19.60%	20.68%	20.13%	13.98%	6.20%	0.34%	31.73%		
	2010	14.61%	18.25%	19.02%	18.24%	12.55%	5.71%	0.99%	20.43%	1.89%	

Returns for 2002 and 2010 do not include full calendar year performance.
Source: I-Net Bridge

Table 5: FTSE/JSE SWIX 40 Performance Triangle from 31 Jan 2002 to 31 Jul 2010

	Start Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010		
End Year	2002	-4.58%									
	2003	5.28%	15.66%								
	2004	13.74%	23.52%	31.92%							
	2005	21.14%	30.48%	38.59%	45.58%						
	2006	24.44%	32.38%	38.47%	41.87%	38.24%					
	2007	23.23%	29.25%	32.89%	33.21%	27.42%	17.45%				
	2008	15.35%	18.82%	19.46%	16.53%	8.20%	-4.28%	-21.99%			
	2009	16.98%	20.21%	20.99%	18.91%	13.04%	5.71%	0.29%	28.92%		
	2010	16.26%	19.13%	19.66%	17.59%	12.24%	5.90%	1.74%	20.31%	3.96%	

Returns for 2002 and 2010 do not include full calendar year performance.
Source: I-Net Bridge

Table 6: FTSE/JSE RAFI® 40 Performance Triangle of from 31 Jan 2002 to 31 Jul 2010

	Start Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010		
End Year	2002	4.30%									
	2003	11.15%	17.42%								
	2004	17.70%	24.20%	31.37%							
	2005	24.03%	30.63%	37.78%	44.50%						
	2006	26.56%	32.18%	37.50%	40.68%	36.96%					
	2007	25.13%	29.29%	32.44%	32.80%	27.31%	18.34%				
	2008	17.46%	19.55%	19.98%	17.29%	9.41%	-2.21%	-19.19%			
	2009	19.81%	21.94%	22.71%	21.05%	15.81%	9.51%	5.35%	37.34%		
	2010	18.96%	20.81%	21.33%	19.61%	14.78%	9.26%	5.94%	25.70%	4.58%	

Returns for 2002 and 2010 do not include full calendar year performance.
Source: I-Net Bridge

The Performance Triangles in Tables 4, 5, and 6 show the annualised absolute performance over multiple periods for the FTSE/JSE ALSI 40, FTSE/JSE SWIX 40 and FTSE/JSE RAFI® 40 indices. Note that returns for 2002 and 2010 do not include full calendar year performance.

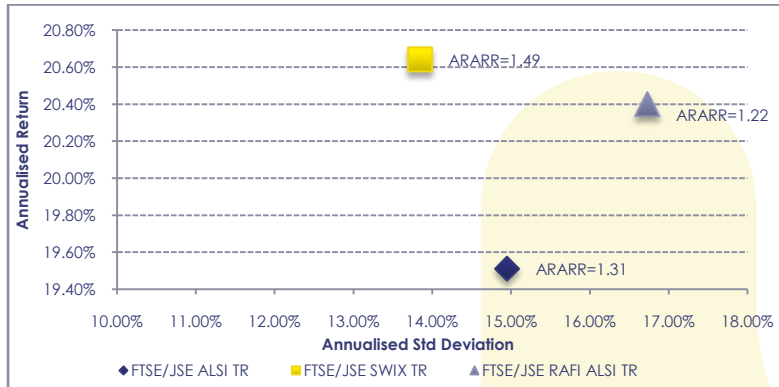
The performance triangles can be used to compare performance between the different indices over certain periods. It is clear that the FTSE/JSE RAFI® 40 index outperformed the FTSE/JSE ALSI 40 and FTSE/JSE SWIX 40 over all periods ending July 2010, by comparing the ending year row 2010 of table 4, 5 and 6.

Active performance triangles are shown in a later section where one can easily establish periods of outperformance and underperformance.



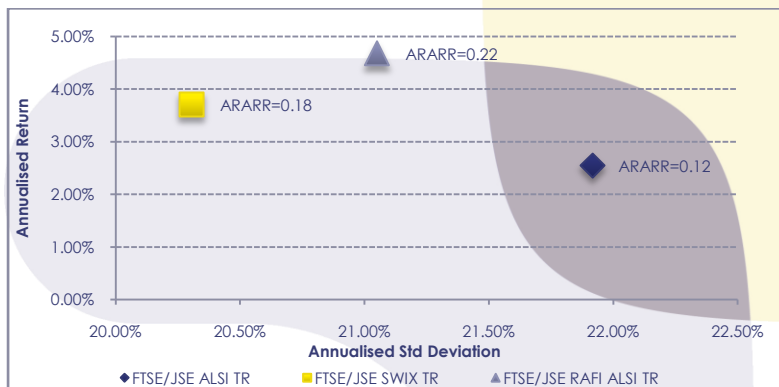
Risk-Return (Risk Adjusted)

Figure 3: 1-Year Annualised Risk Return Graph as at 31 July 2010



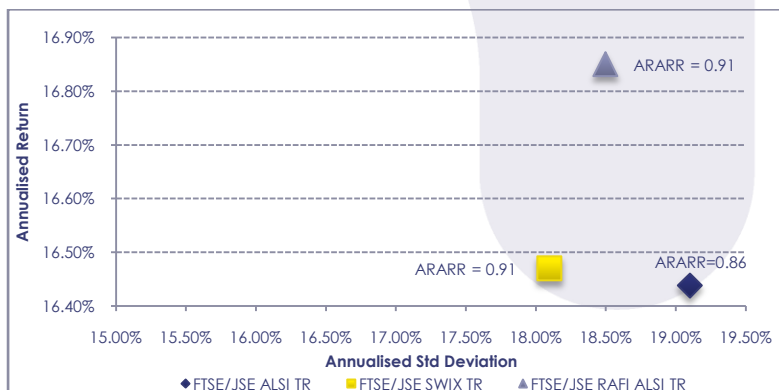
ARARR = Annualized Risk-Adjusted Return Ratio
Source: I-Net Bridge

Figure 4: 3-Year Annualised Risk Return Graph as at 31 July 2010



ARARR = Annualized Risk-Adjusted Return Ratio
Source: I-Net Bridge

Figure 5: 5-Year Annualised Risk Return Graph as at 31 July 2010



ARARR = Annualized Risk-Adjusted Return Ratio
Source: I-Net Bridge

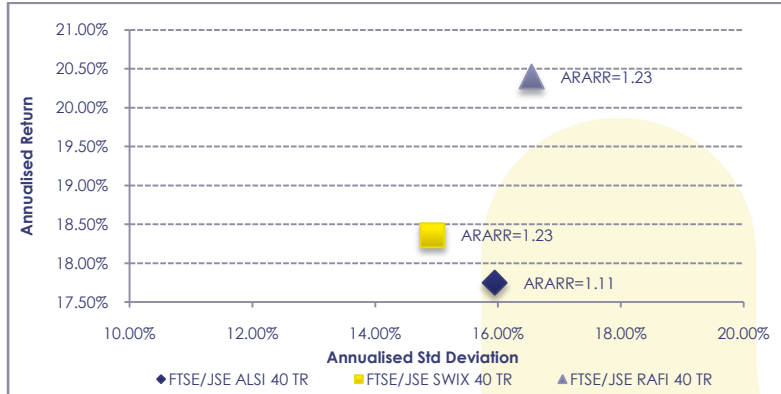
A rational investor should always opt for a portfolio that offers the highest return at the lowest risk. However, in order to achieve higher returns, one usually has to take on more risk.

An annualised risk adjusted return ratio (ARARR) gives an indication of how much return is generated per unit of risk (volatility). A higher ratio indicates greater return per unit of risk. The ratio is calculated by dividing the annualized total return by the annualized volatility.

Figures 3, 4, and 5 are 1-, 3-, and 5-year annualised risk-return graphs as at 31 July 2010. Annualised returns and risk (standard deviation) are plotted for the FTSE/JSE ALSI, FTSE/JSE SWIX and FTSE/JSE RAFI® ALSI indices.

In all three graphs the FTSE/JSE RAFI® ALSI index achieved the highest return, but not always at the highest risk. The ARARR of the FTSE/JSE RAFI® ALSI index improves over the 3-year and 5-year periods as short term market volatility is smoothed out.

Figure 6: 1-Year Annualised Risk Return Graph as at 31 July 2010

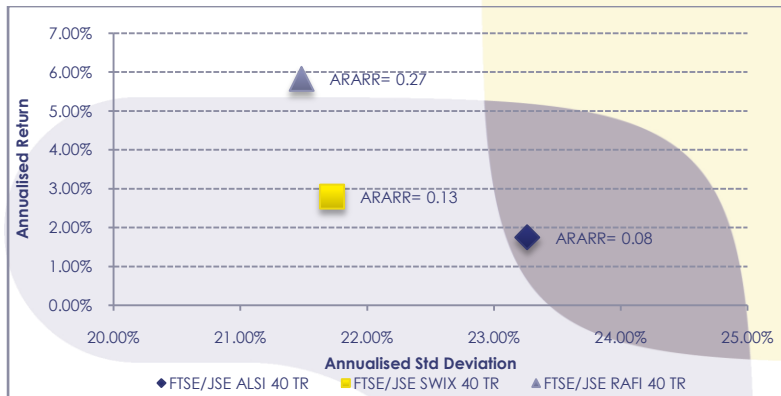


ARARR = Annualized Risk-Adjusted Return Ratio
Source: I-Net Bridge

Figures 6, 7, and 8 are 1-, 3-, and 5-year annualised risk-return graphs as at 31 July 2010. Annualised returns and risk (standard deviation) are plotted for the FTSE/JSE ALSI 40, FTSE/JSE SWIX 40 and FTSE/JSE RAFI® 40 indices.

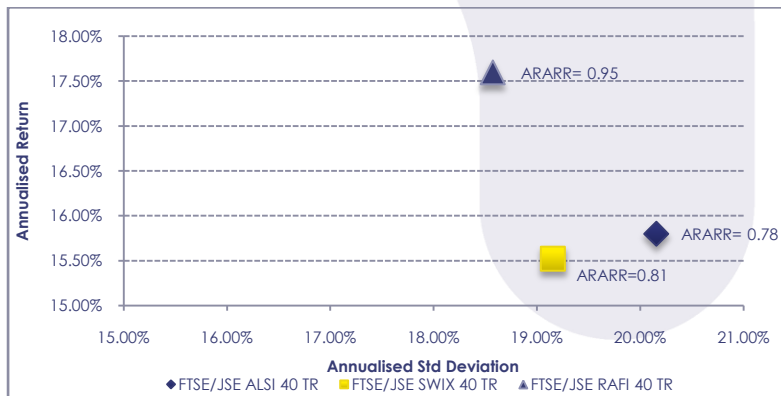
In all three graphs the FTSE/JSE RAFI® 40 index not only achieved the highest return, but also the highest ARARR.

Figure 7: 3-Year Annualised Risk Return Graph as at 31 July 2010



ARARR = Annualized Risk-Adjusted Return Ratio
Source: I-Net Bridge

Figure 8: 5-Year Annualised Risk Return Graph as at 31 July 2010



ARARR = Annualized Risk-Adjusted Return Ratio
Source: I-Net Bridge

Relative Performance

Table 7: FTSE/JSE RAFI® ALSI relative to FTSE/JSE ALSI Active Performance Triangle from 31 Jan 2002 to 31 Jul 2010

		Start Year								
		2002	2003	2004	2005	2006	2007	2008	2009	2010
End Year	2002	15.83%								
	2003	11.65%	5.46%							
	2004	10.95%	7.28%	9.26%						
	2005	8.15%	4.43%	3.81%	-2.32%					
	2006	5.90%	2.40%	1.20%	-3.22%	-4.09%				
	2007	4.73%	1.72%	0.67%	-2.29%	-2.27%	-0.71%			
	2008	4.52%	2.18%	1.52%	-0.22%	0.30%	1.82%	3.42%		
	2009	4.30%	2.24%	1.68%	0.28%	0.79%	2.04%	3.22%	2.57%	
	2010	3.99%	2.06%	1.54%	0.27%	0.71%	1.74%	2.56%	1.59%	0.12%

Returns for 2002 and 2010 do not include full calendar year performance.

Source: I-Net Bridge

Table 8: FTSE/JSE RAFI® 40 relative to FTSE/JSE ALSI 40 Active Performance Triangle from 31 Jan 2002 to 31 Jul 2010

		Start Year								
		2002	2003	2004	2005	2006	2007	2008	2009	2010
End Year	2002	14.92%								
	2003	10.49%	4.11%							
	2004	9.74%	5.91%	7.89%						
	2005	6.97%	3.10%	2.49%	-3.74%					
	2006	5.00%	1.44%	0.37%	-3.84%	-3.94%				
	2007	4.01%	0.99%	0.09%	-2.65%	-2.16%	-0.63%			
	2008	4.15%	1.86%	1.40%	-0.10%	0.80%	2.43%	4.38%		
	2009	4.31%	2.34%	2.03%	0.92%	1.83%	3.31%	5.01%	5.61%	
	2010	4.35%	2.55%	2.31%	1.37%	2.23%	3.55%	4.95%	5.27%	2.70%

Returns for 2002 and 2010 do not include full calendar year performance.

Source: I-Net Bridge

The active performance triangle in Table 7 shows the annualised active performance over multiple periods for the FTSE/JSE RAFI® ALSI index relative to the FTSE/JSE ALSI index.

Table 8 show the annualised active performance over multiple periods for the FTSE/JSE RAFI® 40 index relative to the FTSE/JSE ALSI 40 index.

The FTSE/JSE RAFI® indices underperformed the FTSE/JSE ALSI indices during the period 2005 to 2007, due to the extremely good market performance during this period.

Fundamental indexing investments are less exposed to market boom-and-bust cycles. The RAFI® indices are less reactive to short term changes in a company's fundamentals – preferring rather to reward management that deliver long term value and provide an indication of the company's intrinsic value over time.

It is clear that the FTSE/JSE RAFI® indices outperformed the FTSE/JSE ALSI indices over all periods ending July 2010, by comparing the ending year row 2010 of table 7 and 8.

Over the full period from 31 January 2002 to 31 July 2010 the FTSE/JSE RAFI® 40 outperformed the FTSE/JSE ALSI 40 by an annualised 4.35%

Table 9: FTSE/JSE RAFI® ALSI relative to FTSE/JSE SWIX Active Performance Triangle from 31 Jan 2002 to 31 Jul 2010

		Start Year								
		2002	2003	2004	2005	2006	2007	2008	2009	2010
End Year	2002	9.35%								
	2003	6.31%	2.11%							
	2004	4.68%	1.54%	0.90%						
	2005	3.68%	1.09%	0.49%	0.05%					
	2006	2.59%	0.31%	-0.38%	-1.06%	-2.12%				
	2007	2.20%	0.33%	-0.16%	-0.51%	-0.75%	0.42%			
	2008	2.16%	0.73%	0.45%	0.35%	0.42%	1.31%	1.86%		
	2009	2.46%	1.26%	1.12%	1.16%	1.37%	2.26%	3.05%	4.79%	
	2010	1.99%	0.83%	0.63%	0.59%	0.67%	1.28%	1.56%	1.21%	-2.17%

Returns for 2002 and 2010 do not include full calendar year performance.
Source: I-Net Bridge

Table 10: FTSE/JSE RAFI® 40 relative to FTSE/JSE SWIX 40 Active Performance Triangle from 31 Jan 2002 to 31 Jul 2010

		Start Year								
		2002	2003	2004	2005	2006	2007	2008	2009	2010
End Year	2002	8.88%								
	2003	5.87%	1.76%							
	2004	3.96%	0.67%	-0.56%						
	2005	2.89%	0.15%	-0.81%	-1.08%					
	2006	2.12%	-0.20%	-0.97%	-1.18%	-1.28%				
	2007	1.90%	0.04%	-0.45%	-0.41%	-0.12%	0.88%			
	2008	2.12%	0.73%	0.52%	0.76%	1.21%	2.06%	2.79%		
	2009	2.83%	1.73%	1.73%	2.14%	2.76%	3.80%	5.06%	8.42%	
	2010	2.70%	1.68%	1.67%	2.02%	2.54%	3.36%	4.20%	5.38%	0.63%

Returns for 2002 and 2010 do not include full calendar year performance.
Source: I-Net Bridge

The active performance triangle in Table 9 shows the annualised active performance over multiple periods for the FTSE/JSE SWIX index relative to the FTSE/JSE RAFI® ALSI index.

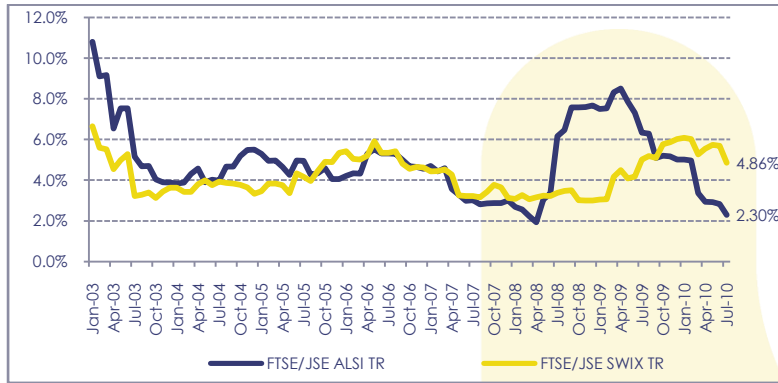
Table 10 show the annualised active performance over multiple periods for the FTSE/JSE SWIX 40 index relative to the FTSE/JSE RAFI® 40 index.

The FTSE/JSE RAFI® ALSI underperformed the FTSE/JSE SWIX index by 2.12% during 2006.

The FTSE/JSE RAFI® indices still outperform the FTSE/JSE SWIX indices over all periods to 31 July 2010. However, the outperformance is not as large as relative to the FTSE/JSE ALSI indices.

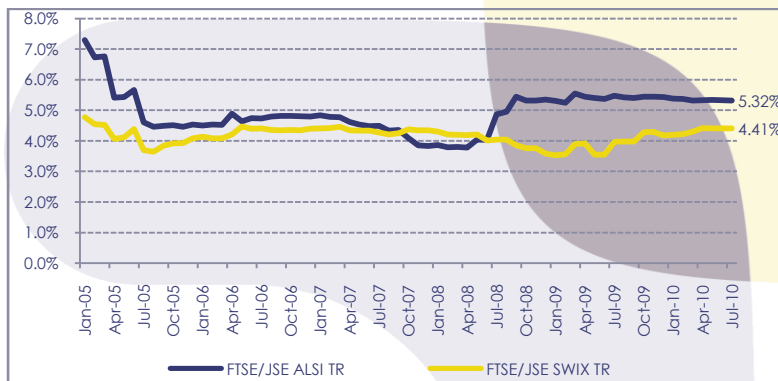
Tracking Errors

Figure 9: FTSE/JSE RAFI® ALSI Rolling 1 Year Tracking Errors from 31 Jan 2002 to 31 Jul 2010



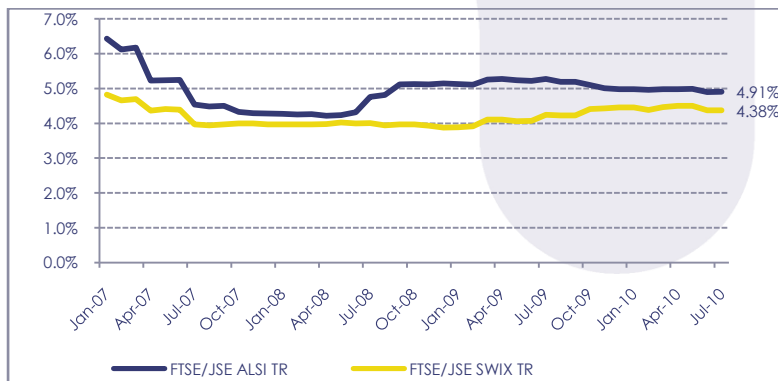
Source: I-Net Bridge

Figure 10: FTSE/JSE RAFI® ALSI Rolling 3 Year Tracking Errors from 31 Jan 2002 to 31 Jul 2010



Source: I-Net Bridge

Figure 11: FTSE/JSE RAFI® ALSI Rolling 5 Year Tracking Errors from 31 Jan 2002 to 31 Jul 2010



Source: I-Net Bridge

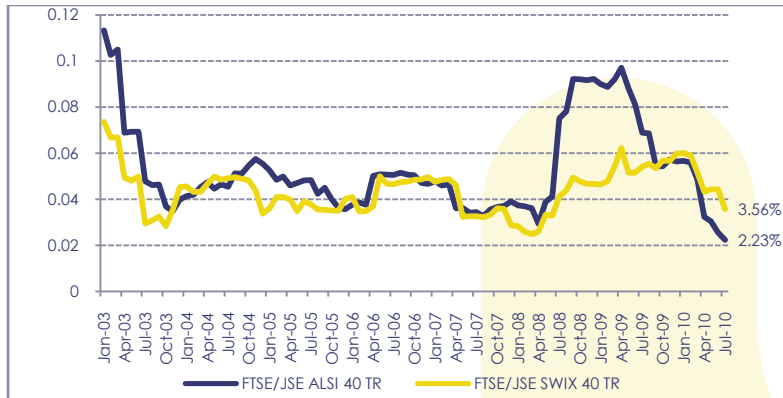
Tracking error, also known as active risk, is the annualized standard deviation of the difference between two sets of returns over a specified period of time.

Typically used to quantify the deviation in returns between a fund and its benchmark, but can also be used to compare one index to another. A higher number indicates a greater variability between the two sets of returns.

As depicted in Figure 9, the FTSE/JSE RAFI® ALSI index has a rolling 1-year tracking error that respectively averaged about 4.9% and 4.2% relative to the FTSE/JSE ALSI and FTSE/JSE SWIX indices.

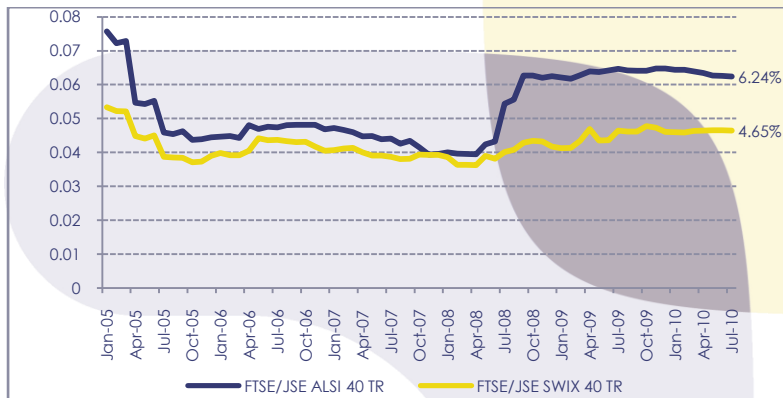
The FTSE/JSE RAFI® ALSI index also has an average rolling 3-year and 5-year tracking errors of about 4.9% and 4.2% relative to the FTSE/JSE ALSI and FTSE/JSE SWIX indices, which indicates the difference between market cap indices and fundamental indices.

Figure 12: FTSE/JSE RAFI® 40 Rolling 1 Year Tracking Errors from 31 Jan 2002 to 31 Jul 2010



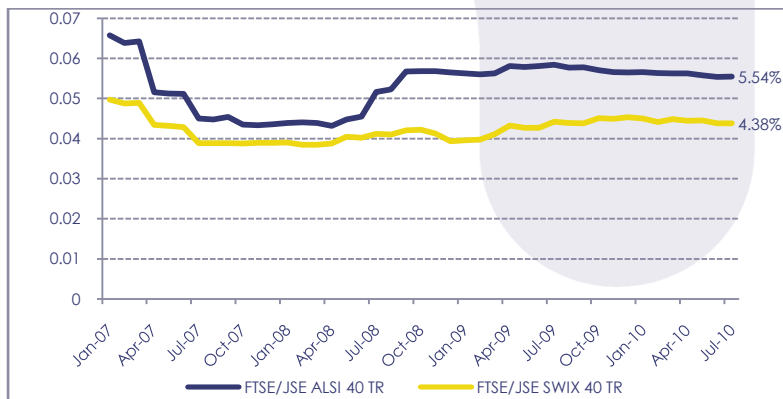
Source: I-Net Bridge

Figure 13: FTSE/JSE RAFI® 40 Rolling 3 Year Tracking Errors from 31 Jan 2002 to 31 Jul 2010



Source: I-Net Bridge

Figure 14: FTSE/JSE RAFI® 40 Rolling 5 Year Tracking Errors from 31 Jan 2002 to 31 Jul 2010



Source: I-Net Bridge

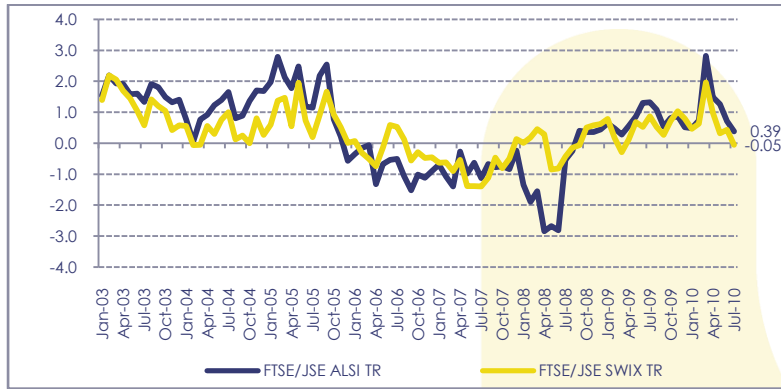
Figure 12, 13 and 14 depict the rolling 1-, 3- and 5-year tracking errors of the FTSE/JSE RAFI® 40 index relative to the FTSE/JSE ALSI 40 and FTSE/JSE SWIX 40 indices.

During 2008 and 2009 the 1-year tracking error spiked above 8% as short term volatility influenced the market cap weighted FTSE/JSE ALSI index.

The average tracking errors for the FTSE/JSE RAFI® 40 index relative to the FTSE/JSE ALSI 40 and FTSE/JSE SWIX 40 indices are 5.3% and 4.2% respectively.

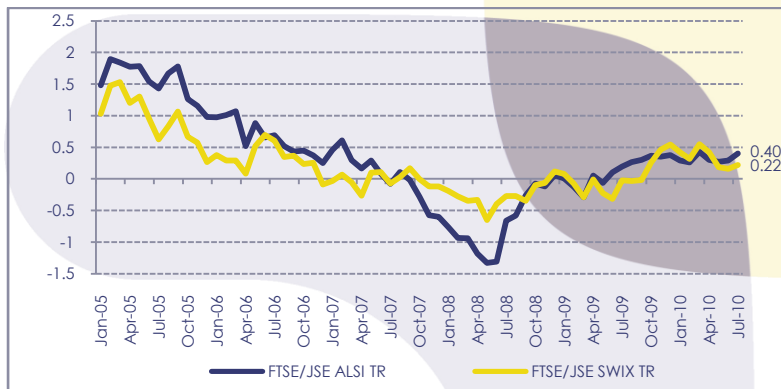
Information Ratios

Figure 15: FTSE/JSE RAFI® ALSI Rolling 1 Year Information Ratios from 31 Jan 2002 to 31 Jul 2010



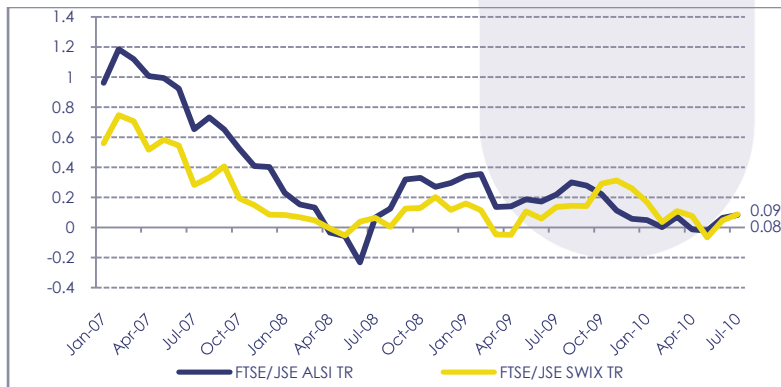
Source: I-Net Bridge

Figure 16: FTSE/JSE RAFI® ALSI Rolling 3 Year Information Ratios from 31 Jan 2002 to 31 Jul 2010



Source: I-Net Bridge

Figure 17: FTSE/JSE RAFI® ALSI Rolling 5 Year Information Ratios from 31 Jan 2002 to 31 Jul 2010



Source: I-Net Bridge

An Information ratio is often used to gauge the skill of an asset manager in outperforming benchmark. However, Figures 15 to 20 depict that RAFI® indices have the “skill” to outperform FTSE/JSE ALSI and FTSE/JSE SWIX indices.

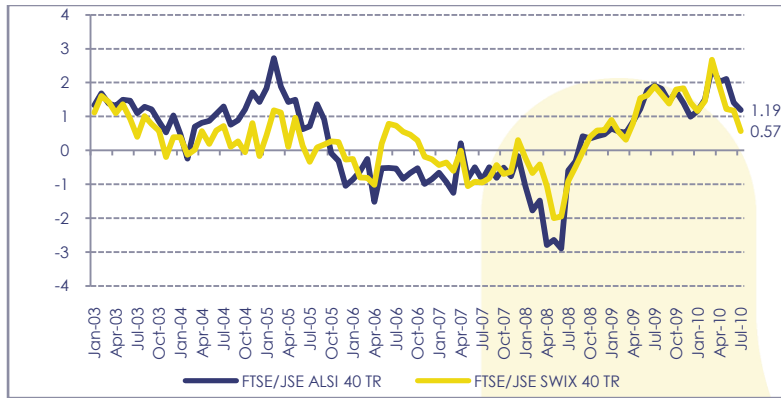
Like the ARARR an Information ratio is a measure of the risk-adjusted return and is calculated by dividing the active return by tracking error.

A higher information ratio indicates a higher active return, given the amount of risk taken, and therefore the better the index.

A negative information ratio indicates periods of underperformance.

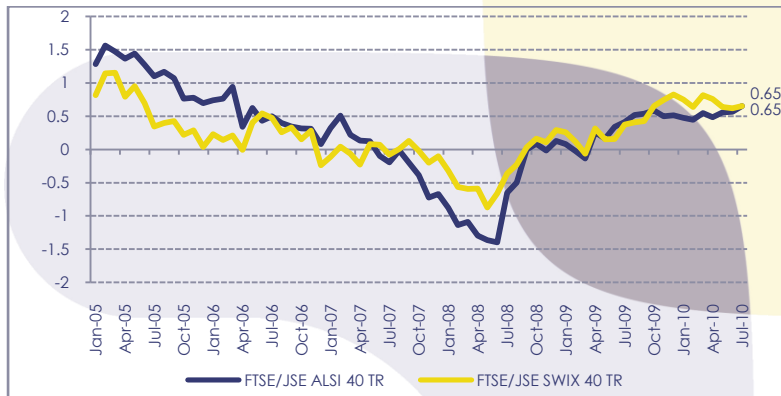
The average information ratio over rolling 3- and 5-year periods for the FTSE/JSE RAFI® ALSI index, relative to the FTSE/JSE ALSI index, is around 0.3. The average information ratio relative to the FTSE/JSE SWIX index is around 0.2.

Figure 18: FTSE/JSE RAFI® 40 Rolling 1 Year Information Ratios for from 31 Jan 2002 to 31 Jul 2010



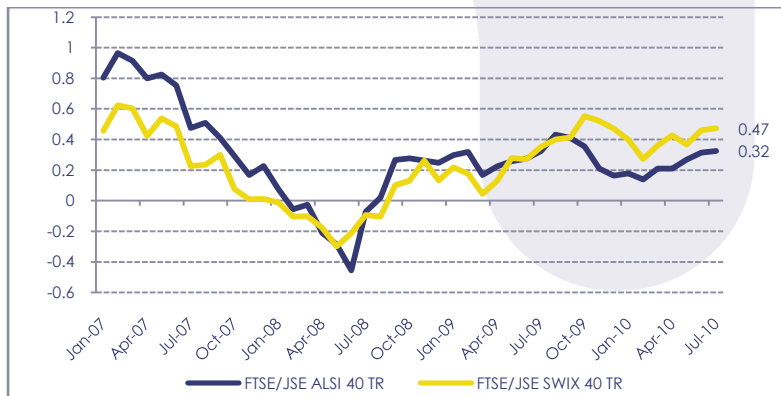
Source: I-Net Bridge

Figure 19: FTSE/JSE RAFI® 40 Rolling 3 Year Information Ratios for from 31 Jan 2002 to 31 Jul 2010



Source: I-Net Bridge

Figure 20: FTSE/JSE RAFI® 40 Rolling 5 Year Information Ratios for from 31 Jan 2002 to 31 Jul 2010



Source: I-Net Bridge

Superior asset managers usually have information ratios above 0.5 and are seen as asset managers with “skill”.

The information ratios over 1- and 3- year periods as at 31 July 2010 for the FTSE/JSE RAFI® 40 index, relative to the FTSE/JSE ALSI 40 and FTSE/JSE SWIX 40 indices, are all above 0.57.

The average rolling 1-, 3- and 5-year information ratios of the FTSE/JSE RAFI® 40 index, relative to the FTSE/JSE ALSI 40 and FTSE/JSE SWIX 40 indices, are all above zero. This once again indicates clear signs of outperformance.

Consistency

Table 11: Performance Consistency as at 30 Jun 2010

Statistic	Timeframe	FTSE/JSE RAFI® ALSI TR	FTSE/JSE RAFI® ALSI TR
		vs. FTSE/JSE ALSI TR	vs. FTSE/JSE SWIX TR
Quarterly Winning Percentage	Over 5-years	10/20	13/20
	(20 periods)	50%	65%
	Since inception	21/33	22/33
	(33 periods)	63.64%	66.67%
Rolling 1-year Winning Percentage	Over 5-years	8/17	9/17
	(17 periods)	47.06%	52.94%
	Since inception	18/29	19/29
	(29 periods)	62.07%	65.52%
Rolling 3-year Winning Percentage	Over 5-years	6/9	4/9
	(9 periods)	67%	44%
	Since inception	16/22	13/22
	(22 periods)	72.73%	59.09%

Table 11 reflects the degree of consistency with which the FTSE/JSE RAFI® ALSI index has generated a higher return than the FTSE/JSE ALSI and FTSE/JSE SWIX indices using quarterly, 1-year and 3-year rolling returns. The different periods, using different rolling averages, show a high degree of consistency in additional performance offered by FTSE/JSE RAFI® ALSI.

Table 12: Performance Consistency as at 30 Jun 2010

Statistic	Timeframe	FTSE/JSE RAFI® 40 TR	FTSE/JSE RAFI® 40 TR
		vs. FTSE/JSE ALSI 40 TR	vs. FTSE/JSE SWIX 40 TR
Quarterly Winning Percentage	Over 5-years	9/20	10/20
	(20 periods)	45%	50%
	Since inception	18/33	19/33
	(33 periods)	54.55%	57.58%
Rolling 1-year Winning Percentage	Over 5-years	8/17	10/17
	(17 periods)	47.06%	58.82%
	Since inception	18/29	19/29
	(29 periods)	62.07%	65.52%
Rolling 3-year Winning Percentage	Over 5-years	6/9	7/9
	(9 periods)	67%	78%
	Since inception	15/22	16/22
	(22 periods)	68.18%	72.73%

Table 12 reflects the degree of consistency with which the FTSE/JSE RAFI® 40 index has generated a higher return than the FTSE/JSE ALSI 40 and FTSE/JSE SWIX 40 indices using quarterly, 1-year and 3-year rolling returns. The different periods, using different rolling averages, show a high degree of consistency in additional performance offered by FTSE/JSE RAFI® 40.

Up-Market / Down-Market

Table 13: Average Outperformance or Underperformance of RAFI® Relative to ALSI and SWIX from 31 Jan 2002 to 31 Jul 2010

	Negative Markets		Positive Markets		All Markets	
	ALSI	SWIX	ALSI	SWIX	ALSI	SWIX
Rolling 1 Month	0.80%	0.29%	-0.05%	0.10%	0.27%	0.14%
Rolling 3 Month	2.61%	1.12%	0.09%	0.24%	0.89%	0.46%
Rolling 6 Month	5.05%	2.39%	0.41%	0.35%	1.65%	0.91%
Rolling 12 Month	7.35%	3.53%	1.35%	0.93%	2.87%	1.58%
Rolling 36 Month	N/A	N/A	1.91%	0.95%	1.91%	0.95%
Rolling 60 Month	N/A	N/A	1.69%	0.81%	1.69%	0.81%

Table 14: Average Outperformance or Underperformance of RAFI® 40 Relative to ALSI 40 and SWIX 40 from 31 Jan 2002 to 31 Jul 2010

	Negative Markets		Positive Markets		All Markets	
	ALSI 40	SWIX 40	ALSI 40	SWIX 40	ALSI 40	SWIX 40
Rolling 1 Month	1.05%	0.47%	-0.25%	-0.01%	0.29%	0.19%
Rolling 3 Month	2.78%	1.38%	0.18%	0.28%	0.93%	0.60%
Rolling 6 Month	5.52%	3.04%	0.32%	0.47%	1.66%	1.14%
Rolling 12 Month	8.72%	5.15%	1.06%	1.05%	2.83%	2.00%
Rolling 36 Month	3.54%	2.88%	1.70%	1.06%	1.73%	1.09%
Rolling 60 Month	N/A	N/A	1.61%	1.05%	1.61%	1.05%

Tables 13 and 14 summarises the average outperformance or underperformance over various rolling periods during positive, negative and all markets between 31 January 2002 and 31 July 2010.

On average the FTSE/JSE RAFI® indices outperform the FTSE/JSE ALSI and FTSE/JSE SWIX indices during every rolling period.

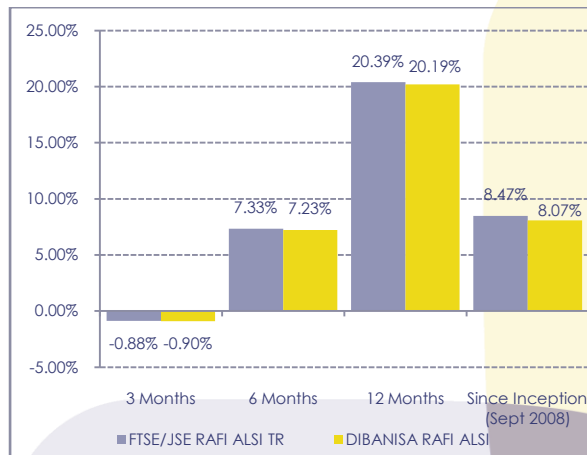
The FTSE/JSE RAFI® indices especially outperform the FTSE/JSE ALSI and FTSE/JSE SWIX indices during negative markets.

Focussing on rolling 1- year numbers in Table 14, one finds that the FTSE/JSE RAFI® 40 index outperforms the FTSE/JSE ALSI 40 and FTSE/JSE SWIX 40 indices by 8.72% and 5.15% during negative markets and 1.06% and 1.05% during positive markets.

Dibanisa Fund Managers' Capability

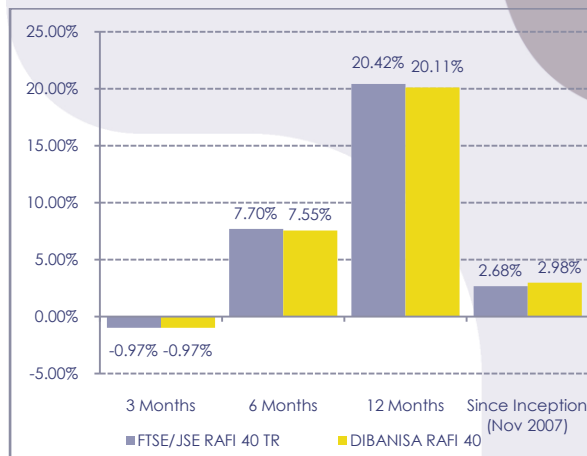
RAFI® Tracking Performance

Figure 21: Performance of Dibanisa RAFI® ALSI as at 31 Jul 2010



Source: I-Net Bridge and OMIGSA

Figure 22: Performance of Dibanisa RAFI® 40 as at 31 Jul 2010



Source: I-Net Bridge and OMIGSA

Assets under Management

Table 15: Assets under Management

Market Values as at 31 Jul 2010	
RAFI® Tracking Portfolios	R 534,670,077
Other Portfolios	R 36,651,498,305
TOTAL	R 37,186,168,382

Blending RAFI® within a Broader Portfolio

We conducted extensive research on the merits of combining a RAFI® tracker portfolio with a half-weight Resources benchmarked portfolio. Numerous subsequent studies into the merits of combining the fundamental indexation benefits of RAFI®, with a market-cap weighted benchmark or contrary investment style (e.g. growth) portfolio, were also conducted.

We explored the following ways in which to conduct blending and discuss our findings to each approach.

Monte-Carlo Efficient Frontier Optimisation

Between two risky assets, the optimiser sought to find the Optimal Risky Portfolio (ORP), which is the tangential point on the efficient frontier that maximises the Sharpe ratio, between RAFI® and SWIX. Since RAFI® was found to be the ORP, this approach allocated 100% to RAFI® and wasn't too useful for determining a blend ratio.

Combining Index Constituent Factors

We combined the SWIX factors along with the RAFI® fundamental factors as supplied by FTSE/JSE to determine the constituent weights of a new blended index. However, we found that by doing this, we "double-fixed" the overweight resources problem of the ALSI. Both the RAFI® and SWIX indices are constructed off an ALSI base, and both correct the overweight resources problem using different methodologies, as expressed through their respective factors. By applying both the SWIX and RAFI® factors, we drastically underweighted resources relative to SWIX.

Investor Utility Blending

Using theory from Grinhold and Kahn, we sought to maximise an investor's utility, which takes into account the asset manager's skill (expected return/alpha), risk mandate of the portfolio (tracking error) and the investor's aversion to risk, which is defined in terms of the information ratio and tracking error.

Applied common sense.

This yielded the most promising results as it factors in the degree of risk investors are prepared to take relative to their benchmarks. At varying levels of risk aversion we found that by blending RAFI® and SWIX in different proportions, the information ratio would improve (relative to the 100% RAFI®, 0% SWIX information ratio). In other words, by combining the market capitalisation weighted strategy of SWIX with the fundamental weighted strategy of RAFI®, we were able to generate more efficient returns.

Dynamic Investor Utility Blending

To optimally allocate to the different strategies during market conditions most suitable to those strategies, we set about developing a sophisticated switching model that would provide a probability as to whether we were in one market cycle (bull) versus another (bear). Each market cycle was allocated to a fund/index, resulting in that fund/index being overweight/underweight within the risk tolerance of the investor.

We found this strategy could potentially deliver outstanding returns on a back-tested, ex-post, in-sample basis, but was less convincing at delivering these returns on an ex-ante, out-of-sample basis. Furthermore, it required a high degree of portfolio turnover to achieve its results, the cost of which we found to exceed the potential benefits.

"It's our conclusion and prediction that the active investment industry will realise and accept in future that alpha might be necessary to generate excess returns but that it is far from being sufficient. As a result, the role of managing more scalable, cheaper and more sustainable sources of excess returns that originate from 'smarter' excess risks (i.e. Beta) will become a faster growth area for assets under management than alpha."

Roland Rousseau, Collective Insights, Nov 2008a

Conclusion

Our analysis shows that RAFI® indices constructed with fundamental factors that are based on rolling five-year trailing averages are superior to market capitalisation based indexing strategies. The FTSE/JSE RAFI® ALSI index has outperformed FTSE/JSE ALSI and FTSE/JSE SWIX by an annualised 4.0% and 4.4% respectively for the period 31 Jan 2002 to 31 July 2010. The FTSE/JSE RAFI® 40 index has outperformed FTSE/JSE ALSI 40 and FTSE/JSE SWIX 40 by an annualised 2.0% and 2.7% respectively for the period 31 Jan 2002 to 31 July 2010.

On average the FTSE/JSE RAFI® indices outperform the FTSE/JSE ALSI and FTSE/JSE SWIX indices during every rolling period. The FTSE/JSE RAFI® indices especially outperform the FTSE/JSE ALSI and FTSE/JSE SWIX indices during negative markets, but also performed much better during the financial crisis recovery.

The FTSE/JSE RAFI® indices achieved better annualised risk-adjusted return ratios than the FTSE/JSE ALSI and FTSE/JSE SWIX indices resulting in attractive Information Ratios.

Dibainsa Fund Managers has closely tracked both the FTSE/JSE RAFI® ALSI and FTSE/JSE RAFI® 40 indices since launching these funds.

Our studies found that strategic rebalancing, utilising the Investor Utility Blending approach, yielded the most positive benefits. This was found to be the case when blending RAFI® with SWIX as well as RAFI® with an investment approach contrary to RAFI® (e.g. growth). As such, we believe RAFI® provides an excellent building block to form the core of a portfolio, due to its robust and scalable investment approach, either on a standalone basis or as part of a broader investment approach.



Regulatory information:

Old Mutual Global Index Trackers (Pty) Ltd, trading as Dibanisa Fund Managers, is a member of the Old Mutual Investment Group (South Africa) (Pty) Ltd (OMIGSA)

Dibanisa Fund Managers is licensed as an approved financial services provider (No. 721) in terms of section 8 of the Financial Advisory and Intermediary Services Act 37 of 2002. Reg. No. 2000/028675/07. Investors should note that share price fluctuations, exchange rates and other economic factors may have an effect on the value of investments. Performance is further affected by uncertainties in government policy, taxation, foreign exchange controls and other legal or regulatory developments. Past performance is not necessarily a guide to future investment performance. It is important that you are prepared for some shorter term fluctuations as your investment moves in line with the markets. Information as at 19 January 2009.

The portfolio performance is calculated on a NAV-NAV basis and does not take any initial fees into account. Income is reinvested on the ex-dividend date. Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income. Past performance is not necessarily an indication of future performance. The fund's TER reflects the percentage of the average Net Asset Value of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs.

Unit trusts are generally medium to long term investments. Past performance is no indication of future growth. It is important that you are prepared for some shorter term fluctuations as your investment moves in line with the markets. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Unit trusts can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available from the company/intermediary. You can easily sell your investment at the ruling price of the day (calculated at 15h00 on a forward pricing basis and 17h00 at month-end for Old Mutual RAFI® 40 Tracker Fund and Old Mutual Top 40 Fund). Certain funds may be capped in order to be managed in accordance with their mandates. Different classes of units apply to these portfolios and are subject to different fees and charges. Old Mutual is a member of the Association for Savings and Investment SA.

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