

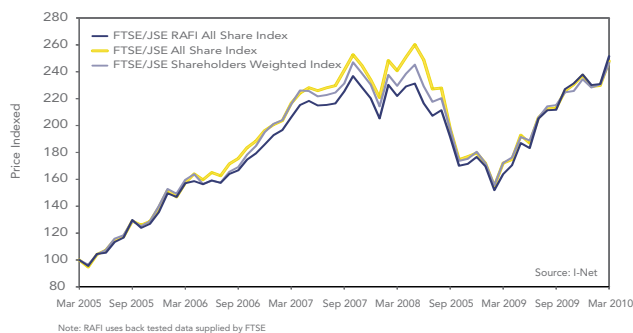
FTSE/JSE RAFI® All Share Tracker Fund

Introducing Fundamental Tracking (also called Price Indifferent Indexation)

The Fundamental Index method is a financial innovation so logical that it is compelling to any and all who believe that common sense is a required ingredient for portfolio construction. Bill Gross, CIO & Founder of PIMCO

- US-based Research Affiliates® launched the first Fundamental/RAFI® Index in 2004/2005.
- FTSE has the rights to provide 'pure' RAFI indices globally. To date FTSE has launched over 35 FTSE RAFI indices across the globe.
- RAFI's affiliate partners include Pimco, Invesco Powershares, Charles Swab and Dibanisa Fund Managers*.
- Research Affiliates chairman Robert Arnott is the former editor of the CFA Institute's Financial Analysts Journal. His advisory panel is comprised of world-renowned individuals who are luminaries in the field of finance and investment management. Members include Peter Bernstein, Burton Malkiel and Harry Markowitz.
- Four years ago John Mauldin, FrontLineThoughts.com, predicted fundamental indices would be the fastest growing investing concept in the world today.

RAFI® in South Africa
Performance over 5 years to 31 March 2010



Total RAFI-related funds have grown to approximately R400 billion globally, with the CalPERS Fund alone having R50bn invested in the US RAFI & Global ex US RAFI Indices. (Source: Research Affiliates)

Introducing Dibanisa Fund Managers*

Launched early 2001, **Dibanisa Fund Managers**, previously Umbono Fund Managers, is a focused investment house that specialises in equity and bond tracker solutions. We are one of the largest index tracker investment houses in Africa with nearly R35.7 billion in assets under management (28 February 2010).

We are fully committed to help revolutionise the South African investment market by demonstrating that an active-tracker blended portfolio can offer similar overall return characteristics to an actively managed portfolio, but probably at lower overall risks and definitely at lower costs.

Our successful track record of managing indexation portfolios with tracking errors well below the acceptable industry standard of 0.50%, speaks for itself.

Black economic empowerment (BEE) has always been a significant contributor to our core values. Since our launch, we have exhibited an exemplary BEE track record:

- Employment equity has exceeded 75%.
- Our education initiative, the Inhlakanipho Education and Development Trust Fund, has over the last 8 years awarded numerous scholarships to underprivileged learners.
- Dibanisa is 33% black owned via One Stone Capital's (previously UC Capital) one-third stake in the business.

We target retail and institutional clients that require a low cost, low risk "core" fund manager to complement their more aggressive, active satellite portfolios. Our strong client base includes parastatals, the private sector and multi-management institutions.

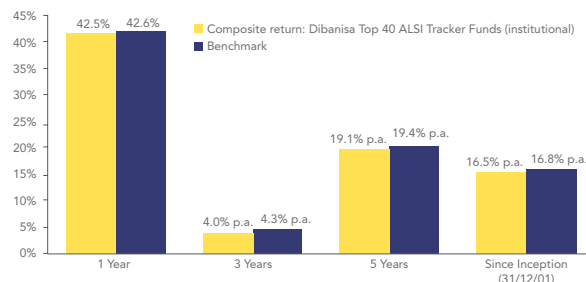
While autonomous and entrepreneurial, as a specialist boutique within the Old Mutual Investment Group (SA) (OMIGSA), we are able to leverage off their extensive shared services.

Our Equity Investment Track Record

Our first full-replication Equity Tracker mandate was awarded in December 2001. These full-replication tracker funds require a tracking error of less than 0.50% per annum. Our since-inception absolute return differential (a more stringent measure than tracking error) is currently 0.15% p.a. (please note that this is before scrip lending revenue and management fees). The graph shows our equity performance tracker record.

*Dibanisa Fund Managers' legal registered name is Old Mutual Global Index Trackers (Pty) Ltd

Annual returns to end March 2010



Dibanisa performance excludes scrip lending revenue of ± 15 basis points, the remaining 15 basis points differential is due to brokerage costs, custodial costs, MST & slight "cash-drag" from the strong markets.

Source: Dibanisa

RAFI Methodology

Research Affiliates applies the following methodology when constructing the RAFI Index.

Ranking by the factors. JSE The universe of companies is ranked by each of the following 4 equally weighted factors:

- + Cash flow, averaged over the past five years;
- + Sales, averaged over the past five years;
- + Dividends, averaged over the past five years;
- + Book value, as at review date.

Total ranking. A total fundamental value is given to each company by taking the average weighting of each fundamental measure. If a company has a zero dividend percentage then the average of the other three factors is taken.

Index weighting. The RAFI total fundamental value for each company is then divided by the free-float market capitalisation to create the individual weightings. A JSE liquidity screen is also applied.

Rebalancing. RAFI factor rebalancing is done annually whilst JSE index changes, SISS changes etc. are rebalanced quarterly.

Five-year averages. The factors are based on five-year trailing averages.

Application of Methodology

The application of the above methodology results in:

Reducing risk

A company's weighting in a market capitalisation index tends to be driven by market supply and demand, i.e. as the market drives share prices higher their weighting in the index increases. This can result in market capitalisation indices following a market momentum strategy, buying high and selling low – thereby increasing its overall risk profile.

Stripping out short-term market sentiment

With fundamental indexing investments are less exposed to market boom-and-bust cycles. This is because fundamental indexing is not reliant on market capitalisation but uses fundamentals to rate a company (i.e. cash flow, sales, dividends and book value). Given that a five-year rolling average is utilised, these fundamentals tend not to react to short-term market sentiment, but instead provide an indication of the company's intrinsic value over time. This allows the fund to focus on buying shares for their future earnings potential rather than buying shares as market sentiment drives their prices higher.

Suitable for the South African market

Fundamental index tracking has proved to be a highly successful long-term investment strategy in overseas markets. We believe that the historical retrospective performance is a good barometer as FTSE has recreated the indices using the current four RAFI factors.

The global experience in fundamental indexing has been that, over a 45-year evaluation period in the US, the Fundamental Index® concept produced returns in excess of 2% per annum with less volatility than similar cap-weighted indices. Nomura Securities replicated this work in all 23 FTSE developed-market indices and found that it outpaced cap-weighting in 23 out of 23 indices, with no exceptions. The average outperformance from 1988 to date was 2.6% per annum.

Current RAFI actual outperformance is consistent with the back-testing. For example, Powershares FTSE RAFI Emerging Market ETF is outperforming the MSCI Emerging Market Index by over 3%, annualised. Over a 12-year back-tested period, the RAFI All Share Index outperformed the All Share Index by over 3% per annum with 2% lower volatility. In fact, independent SA research on fundamental indices was done in 2006 by BJM. They did analyses based on the three major sectors. The results were as follows:

Over a 10-year period, four separate fundamental indices were created, based on the following factors: Dividends, Cash Flows, NAV and Capital Employed. All four fundamental indices outperformed the corresponding Resources and Financials & Industrial Indices, with the Cash Flow Index consistently the best performer.

Our unit trust, the Old Mutual RAFI® 40 Tracker Fund, was launched in October 2007 and is currently ranked 5th out of 82 General Equity unit trust funds over one year (31 March 2010).

Targeting a superior risk-adjusted long-term return

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.

Conversely, a cap-weighted index will immediately reward the stock with a higher weighting. The purpose of the fundamental index concept is to not chase short-term winners. Vastly improved sales performance this year will not necessarily translate into improved sales in year two. A RAFI index therefore has more of a value style orientation than a growth style orientation.

Blending a RAFI® Tracker Fund with Half-weight RESI Tracker Fund

By blending RAFI with a half-weight resources index, we are adhering to current global best practice in portfolio design (i.e. active management of betas to generate excess returns whilst managing risk lower).

The main conclusions drawn from a Dibanisa study are:

- ✦ The FTSE/JSE RAFI All Share Index has outperformed the FTSE/JSE All Share Index (ALSI) half-weight resources index (ALSI ½w-res index) by around 4.4% p.a. on average over the period July 1996 to September 2008, and by around 2.1% p.a. on average over the period May 2002 to September 2008.
- ✦ The outperformance constitutes alpha, seeing that the outperformance is independent of the performance of the ALSI ½w-res index (≈ 0), and the full amount of outperformance constitutes alpha seeing that the beta of the RAFI ALSI index to the ALSI ½w-res index is close to one ($\approx 0.97 \pm 0.01$).
- ✦ Alpha delivery is consistent over time as pointed out by the low day-to-day variation in the level of alpha.
- ✦ The risk structures of the RAFI ALSI index and the ALSI ½w-res index are very similar. This is clear from historical data, which shows that the volatility structures of the two indices are similar. Risk matching is also evidenced by a forward-looking analysis in the APT risk system, which points out that the 20 statistical APT factor components of the two indices are essentially the same, and that the real-life betas of the two indices are very similar. Blending of a RAFI ALSI investment into an ALSI ½-weighted resources mandate would therefore not alter the risk structure of an ALSI ½-weighted resources portfolio materially.
- ✦ It is possible to transport the alpha of the RAFI ALSI index to the ALSI ½w-res index by essentially blending a RAFI ALSI investment into an ALSI ½w-res mandate.
- ✦ With the percentage of RAFI ALSI added to the blend, the tracking error of the RAFI ALSI/ALSI ½w-res combination exhibits linear behaviour, due to the beta between the two indices being close to one. Allocation between the two indices could therefore be done on a linear basis, where the allocation to the RAFI ALSI index would simply constitute the ratio of the required tracking error to the latest forecasted tracking error between the two indices, the latter being around 2.6%.

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 2008

Integrity of RAFI Factors & RAFI Data

Determining the RAFI factors

- The four measures selected by RAFI were deemed to be the most 'mainstream' and least 'gamable' of the set tested.
- Individually, each metric performed well against market capitalisation indices but each factor on its own results in an overexposure to a risk factor:
 - Cash flow: overexposure to cyclical stocks at cyclical peaks
 - Sales: overexposure to large companies with thin margins
 - Dividends: overexposure to mature, stable companies and exclusion of growth stocks
 - Book value: overexposure to companies with aggressive accounting
- The four-factor COMPOSITE approach mitigates the excesses and peculiarities associated with each individual factor, thus improving the robustness of the methodology.

Reliability of the RAFI data

Data provided by Thomson Reuters.

- The accounting and return data cleaning process includes checking the correct exchange rate conversion from local currency into USD (all accounting information is computed in USD) to avoid systematic errors in valuations.
- The accounting and return information is screened for outliers and outliers are compared against equivalent fields in Bloomberg.

RAFI versus other SA Price Indifferent Funds

- The RAFI Index is the only official JSE-listed Fundamental Index, ensuring returns are readily available to the public, trustees, fund members, etc.
- The four RAFI factors are being consistently applied by FTSE/RAFI across more than 35 countries and is proven to be ROBUST.
 - This may not be the case with other price-indifferent funds – staff changes could result in changes to factors, weightings, etc.

- From a RAFI back-testing perspective, the SAME four factors have been applied in the SAME weighting across DIFFERENT countries, sectors, regions, company sizes and time periods...
 - Yet results have been consistent across all of these cross-sections (this implies a very ROBUST process).
- Conversely, other price-indifferent funds that use different factors for specific markets, change factors periodically and change factor weightings, face more data-mining risk in their back-tested returns especially in the SA market where a few stocks dominate historical performance attribution.

Dibanisa Segregated RAFI Tracker Fees (ex VAT)

	Flat Fee	Performance Based Fee (Base Component)	*Performance Based Fee (Performance Component)
R50m	0.34%	0.24%	12%
R100m	0.29%	0.19%	12%
R200m	0.27%	0.17%	12%
R300m	0.26%	0.16%	12%
R500m	0.25%	0.14%	12%

*Performance Fee is calculated as 12% of excess return over the FTSE/JSE All Share Index return.

Conclusion

Dibanisa is passionate about delivering on its core purpose of providing strong tracking performance and excellent client service at the lowest possible cost. In summary, our RAFI proposal encapsulates the following:

- + An experienced team that is 100% focused on tracker funds – tracking is not a ‘side-line’ business for us (we live and die by our tracking errors!).
- + A nine-year track record of delivering very tight absolute equity differentials.
- + A sizeable tracking scale that ensures the lowest fees in the industry.
- + Solid BEE credentials (especially in Ownership and Employment Equity), as determined by KPMG audit.
- + Autonomous boutique with sizeable management ownership participation.
- + Access to very large equity trading desk.
- + Use of best practice operational, governance and compliance systems from OMIGSA.

Our Investment Team

Our team has well over 50 years’ investment experience. The investment team is led by our Managing Director, Craig Chambers.

- + Craig Chambers, MD and Head of Investments (13 years experience)
- + Anver Dollie, Deputy CIO (13 years experience)
- + Mzimasi Mabece, Fund Manager (6 years experience)
- + Kingsley Williams, Head of Research (8 years experience)
- + Nonhlanhla Dube, Junior Fund Manager (4 years experience)
- + Rekha Mistry, Junior Fund Manager (4 years experience)
- + Palvi Kala, Portfolio Implementation Specialist (2 years experience)
- + Ernest Nene, Junior Analyst (1 year experience)
- + Frank Sibiya, Junior Analyst (1 year experience)
- + Beverly Brown, Team Assistant (1 year experience)

As testimony of our success we were awarded the following by the Association of Black Securities & Investment Professionals:

- + The Top Black Portfolio Manager in 2004.
- + The Most Progressive Company in 2005.

“We see wealth-weighted (fundamentally-weighted) passive strategies as providing the following benefits:

- *Managing equity portfolios at lower risk*
- *Adding diversity to strategies*
- *Adding long-termism.*”

Watson Wyatt Worldwide

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.

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 & Investment SA.

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Dibanisa Fund Managers

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