

All Bond Tracker Fund

Introducing Dibanisa Fund Managers*

Launched early 2001, **Dibanisa 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 R40 billion in assets under management (31 December 2011).

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:

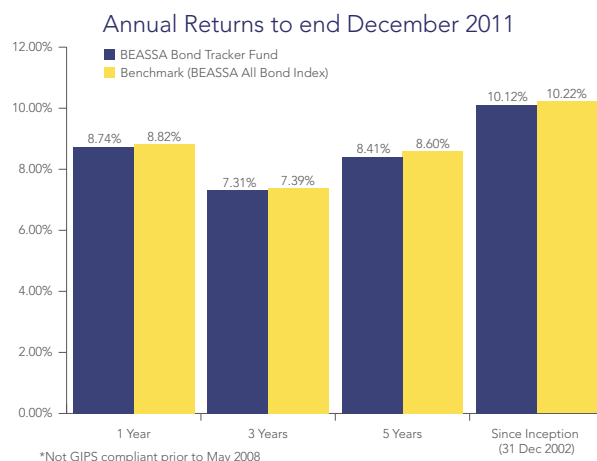
- + Employment equity has exceeded 75%.
- + Our education initiative, the Inhlakanipho Education and Development Trust Fund, has over the last 8 years awarded numerous scholarships to underprivileged learners.
- + Dibanisa is 33% black owned via One Stone Capital's one-third stake in the business.

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 Bond Investment Track Record

Dibanisa's first All Bond Tracker mandate was awarded in December 2002. These full-replication tracker funds require a tracking error of less than 0.50% per annum. Since inception our tracking error is 0.14% a year and our absolute return differential (a more stringent measure than tracking error) is less than 0.10% a year (before scrip lending revenue and management fees).



Source: Dibanisa

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 (16 years experience)
- + Tendai Musikavahnu, CEO (17 years experience)
- + Nonhlanhla Dube, Fund Manager (5 years experience)
- + Palvi Kala, Junior Fund Manager (6 years experience)
- + Frank Sibiya, Junior Investment Analyst (2 year experience)
- + Anver Dollie, Deputy CIO (15 years experience)
- + Kingsley Williams, Head of Research (11 years experience)
- + Zack Bezuidenhout, Business Development (6 years experience)
- + Rekha Mistry, Junior Fund Manager (5 years experience)
- + Jackie Timothy, Business Analyst (10 year experience)
- + Jeanne Partington, Team Assistant (2 year experience)

As a 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.

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

Why an All Bond Tracker Fund?

Our analysis shows that an aggregated portfolio, comprising of a combination of active bond fund holdings, has a large “de facto” passive BESA All Bond Index (ALBI) core component. This is accentuated in larger funds.

Given the limited investible bond universe in South Africa, it is far more cost-effective to combine a core ALBI Tracker Fund with a specialist active bond fund than to focus solely on generating excess returns via value adding credit bond research.

Dibanisa research shows:

- 70% of a typical blend of active bond managers will have a Tracking Error, relative to the ALBI, of less than 0.50%.
- 30% of a typical blend of active bond managers will have a Tracking Error, relative to the ALBI, of less than 0.30%.

Tracking error (TE) is a statistical measure that shows how a fund's share weights differ relative to the benchmark's weights – the higher the TE, the bigger the divergence from the benchmark. In the US, an actively managed bond fund will typically have a TE of at least 2%. A fund with a 0.50% TE would be defined as a Full-Replication Index Fund – composed almost identically to the index it tracks.

Segregated All Bond Tracker Fund fees

The estimated NET fee that we will levy on a R500 million All Bond Tracker Fund is approximately 0.06% a year. This fee is derived as follows:

- Fund management fee: 0.11% p.a. on R500m.
- Estimated scrip lending revenue paid to the fund: 0.05% p.a. (This assumes a 70% utilisation rate, total annual scrip lending revenue of 0.12% and a 60/40 fund/lending desk participation split.)

Source: OMSFIN Scrip Lending Desk

Pooled All Bond Tracker Fund fees

0.25% to 0.15%

Fees are negotiable for investments of R500m or more.

Minimum Investment

R5 million

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 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.
- ✦ Use of best practice operational, governance and compliance systems from OMIGSA.

Old Mutual Global Index Trackers (Pty) Ltd trades as Dibanisa Fund Managers.

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* Global Investment Performance Standards (GIPS) Compliance

Dibanisa Fund Managers joined the Old Mutual Investment Group South Africa (OMIGSA) GIPS firm definition on 1 January 2007. Please note that fund or composite data prior to this is not GIPS compliant, although figures are accurate and monitored.

Dibanisa Fund Managers

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April 2012