

DPDP1011105
16 August 2007

News Release
**PLEXUS INTRODUCES RAFI™ METHODOLOGY TO
UNIT TRUSTS**

Plexus Asset Management, a leading South African niche investment manager renowned for its innovative investment solutions, has just announced the launch of a new unit trust fund, the *Plexus RAFI™ Enhanced SA Strategy Fund*.

This cutting-edge investment solution has been made possible as a result of a licensing agreement concluded between the Plexus group and Research Affiliates, a California-based investment house.

Dr Prieur du Plessis, managing director of Plexus, says: “In terms of the agreement Plexus has obtained the exclusive right to manage and distribute products utilising the so-called *enhanced* Research Affiliates Fundamental Indexing™ (RAFI™) methodology in the Pan-African region. I believe RAFI™ is a concept that will help shape the global investment landscape for years to come.”

The *Plexus RAFI™ Enhanced SA Strategy Fund* will consist of approximately 40 shares selected from the top 100 companies by market capitalisation listed on the JSE. The selection of shares included in the fund will be made using Research Affiliates’ unique approach to portfolio construction. The strategy involves the selection of equities based on weights determined by using financial metrics of company size (sales, cash flow, book price and dividends) as opposed to traditional market capitalisation weighting. Further enhancement is then attained through the incorporation of additional factors such as quality of earnings and a financial distress screen, hence the *enhanced* RAFI™ methodology.

The RAFI™ methodology has won widespread acceptance in the US and internationally. According to Robert Arnott, founder and chairman of Research Affiliates, market cap-weighted indices such as the FTSE/JSE indices, suffer from an inherent flaw as they overweight all overvalued stocks and underweight all undervalued stocks. However, research has shown that by avoiding this inherent valuation bias, the RAFI™ strategies have outperformed cap-weighted indices by more than 2,5% per annum internationally (considering 23 mature stock markets), and significantly more in emerging markets, over extended measurement periods.

The *Plexus RAFI™ Enhanced SA Strategy Fund* is classified as a domestic general equity fund and the performance benchmark is the FTSE/JSE All Share Index. The minimum investment amounts are R5 000 lump sum and R300 per month.

There is no initial administration fee, but an intermediary may charge a client up to 3,0% (excluding VAT). The annual management fee is 1,0% (excluding VAT) for

smaller investors, and 0,85% (excluding VAT) for clients with a minimum investment amount of R1 million. A performance fee of 20% of the outperformance above the fund's benchmark is also charged.

According to Arnott, RAFI™ portfolios seek to protect investors against market bubbles and fads because a share's weighting in a RAFI™ portfolio is immune to pricing errors. "You can have exuberance in a company's share price but not in a company's financial metrics. RAFI™ portfolios thus avoid the huge run-ups and subsequent corrections that have historically plagued cap-weighted indices."

Portfolios constructed by means of the RAFI™ methodology furthermore provide benefits such as diversification, liquidity and low turnover, while seeking to generate incrementally higher returns than comparable cap-weighted indices with lower volatility.

Du Plessis said: "The agreement between Plexus and Research Affiliates is a coup for us in that we are joining forces with a world-class international partner in an area that is bound to become increasingly popular over the next few years, especially as investors focus more strongly on optimising risk/return parameters at affordable fees.

"The new *Plexus RAFI™ Enhanced SA Strategy Fund* should add considerable value to any conventional portfolio otherwise comprising active equity managers and passive index trackers, and should seriously be considered by both individual and institutional investors. Plans are also afoot to list an exchange-traded fund (ETF), utilising the enhanced RAFI™ methodology, on the JSE within the next few months."

Enquiries:

Dr Prieur du Plessis, director of Plexus Asset Management; tel.: +27 (0) 21 970 2400 or e-mail: info@plexus.co.za.