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News Release

PLEXUS SCORES HOME RUN WITH INTERNATIONAL PARTNER

A recently concluded licensing agreement between the Plexus group and US-based Research Affiliates will soon bring cutting-edge financial instruments to South Africa and offer local investors innovative investment solutions.

Plexus is a leading South African niche investment manager specialising in multi-manager solutions and investment consulting, and well known for its PlexCrown fund ratings.

Research Affiliates is an innovative, research-oriented investment house dedicated to finding investment solutions that add value for its clients. Formed in 2002, by Robert Arnott, former editor of the *Financial Analysts Journal*, the firm has more than US\$22 billion (R152 billion) in assets under management. The company's panel of advisors includes luminaries in the field of finance and investment management such as Harry Markowitz (Nobel Prize winner and father of modern portfolio theory), Burton Malkiel, Jack Treynor and Peter Bernstein.

Research Affiliates, a California-based company, has a strong worldwide reputation as a thought leader, most recently for the pioneering Research Affiliates Fundamental Index™ (RAFI™) concept.

The company markets its ideas and related products in partnership with some of the world's leading financial institutions including PIMCO, Nomura Asset Management and Charles Schwab. Now, Plexus has joined this group through a licensing agreement with Research Affiliates.

Dr. Prieur du Plessis, managing director of Plexus, says: "In terms of the licensing agreement, Plexus has obtained the exclusive right to utilise the enhanced RAFI™ methodology in order to manage and distribute enhanced index products in the Pan-African area. I believe RAFI™ is a concept that will help shape the global investment landscape for years to come."

Arnott explains: "Market capitalisation weighting dominates indexation in the global and South African investment industry today. Unfortunately market cap-weighted index trackers, such as those based on the FTSE/JSE indices, suffer from an inherent flaw as they overweight overvalued stocks and underweight undervalued stocks."

Research Affiliates has pioneered an innovative approach to index construction that has won widespread acceptance in the US and internationally. Its RAFI™ indexing

method uses fundamental accounting measures of company size (including sales, cash flow, book price and dividends) rather than market capitalisation in index construction. By avoiding the inherent valuation bias of market cap weighting, RAFI™ strategies have outperformed market cap-weighted index strategies by as much as 2,0% per annum in the US and by more than 2,5% per annum internationally over extended measurement periods.

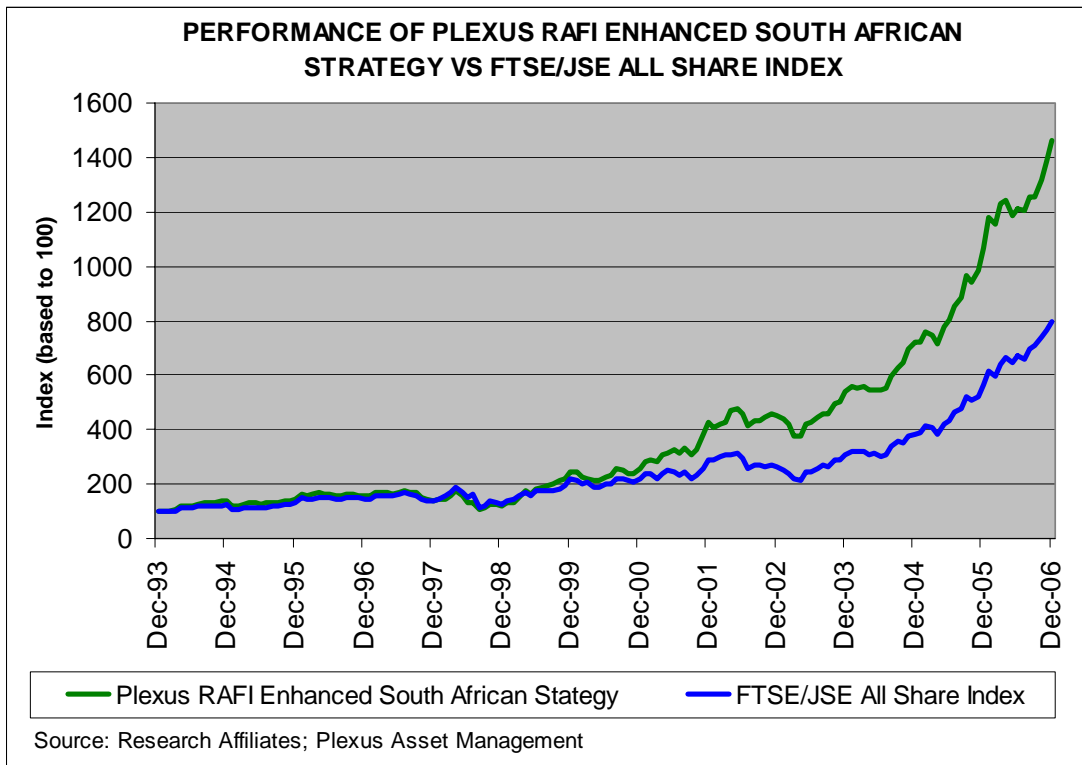
According to Arnott portfolios constructed utilising the RAFI™ methodology provide all the benefits of traditional market cap-weighted indices, including diversification, liquidity, low turnover and competitive fees, while generating incrementally higher returns with lower volatility than comparable market cap-weighted indices.

“RAFI™ portfolios are the index investor’s best protection against market bubbles and fads because a share’s weighting is insulated from 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 market cap-weighted indices,” says Arnott.

The first domestic product to be offered by Plexus to South African investors will be a segregated portfolio known as the *Plexus RAFI Enhanced South African Strategy*, an enhanced index tracker comprising the FTSE/JSE Top 40 Index constituents. Back-testing the RAFI™ methodology on the JSE from 1993 to 2006 delivered returns of 22,9% per annum compared to the 17,3% per annum for the market as a whole (see accompanying graph). “Not only did the RAFI™ methodology outperform by more than 5,5% per annum, but this was also achieved at reduced levels of volatility,” says Du Plessis.

“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 Plexus RAFI™ product should fulfil a very useful function as an enhancement to a portfolio otherwise comprising conventional active equity managers and passive index trackers,” says Du Plessis.

Arnott adds: “I am personally excited to have an opportunity to work with Plexus. They are entrepreneurial in their thinking, have a first-rate business, and I am proud to be partnering them on an investment offering bound to add considerable value to South African investors’ portfolios over time.”



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