

THE IPO LAUNCH AND LISTING OF A NEW SATRIX PRODUCT – THE SATRIX DIVIDEND PLUS

1. Background

Satrix will be listing a great new addition to its family of Satrix products in late-August 2007. The Satrix Dividend Plus will provide a means of investing in a portfolio of companies paying higher than average dividends on the JSE.

The Satrix Divi portfolio will invest in the FTSE/JSE Dividend Plus Index. This consists of 30 companies, selected from the JSE Top 40 and Mid-Cap indices, that are expected to pay the best normal dividends over the forthcoming year. The unique features the Satrix Divi offers, are:

- It will appeal to investors seeking a high income portfolio on the JSE.
- It holds the promise of outperformance, as the high dividend paying component companies in the Satrix Divi are likely to re-rated relative to the rest of the market.
- The Satrix Divi will have a low correlation with other indices on the JSE and accordingly, it provides an ideal product for diversifying investment portfolios.
- The high yield nature of the Satrix Divi provides a defensive investment for the risk averse investor.

2. About Satrix Dividend Plus (Satrix Divi)

The new Satrix Divi will track the FTSE/JSE Dividend Plus Index, similar to the way other Satrix products, track main FTSE/JSE indices. The Satrix Divi portfolio will consist of the 30 shares on the Dividend Plus Index, held in exactly the same weighting they constitute in the index calculations made by FTSE/JSE. In this way, the Satrix Divi will exactly replicate the performance of this index.

All dividends received from the constituent companies in the Dividend Plus index, will be distributed by Satrix to investors at the end of each quarter. In this way, Satrix will provide the capital return of the index, as well as the dividend yield, associated with this index.

The Satrix Divi is expected to commence trading at a price of around R1,40 per security (1000th of the Dividend Plus index level) and to receive an annual dividend yield of around 4,5 percent.

Similar to other products in the Satrix family, the Satrix Divi is a listed security (Exchange Traded Fund) and its JSE code is STXDIV. In addition, Satrix Divi is registered as a Collective Investment Scheme with the Financial Services Board (FSB). The Satrix products are therefore registered and fall under the legislative control and regulation of both the JSE and the FSB, providing peace of mind for investors.

The Satrix Divi, similar to other Satrix ETFs, will be an open-ended fund and will provide physical delivery of baskets of index component stocks to investors, who wish to subscribe for or redeem large amounts in the product. Such physical swap transactions take place at the daily Net Asset Value (NAV) value of the Dividend Plus portfolio. The NAV includes the value of the index and any dividends or other income (net of costs) in the Satrix Dividend portfolio. As Satrix exactly replicates the constituent components of the index, this physical swap characteristic of all listed ETFs, ensures very accurate tracking of the index.

Satrix ETFs are renowned for their low costs (measured by Total Expense Ratios, TERs). The annualised TERs for the five Satrix products for the period to June 2007 averaged between 19 to 30 basis points, before taking into account the impact of scrip lending income. After taking into account the cost reducing effects of scrip lending income, the Satrix products recorded Actual Expense Ratios (AERs) of between 4 to 10 basis points.

To put this in perspective, other index tracking unit trusts in South Africa recorded TERs of between 51 to 119 basis points, and the average Total Expense Ratio for actively managed equity unit trusts was around 150 basis points.

The Satrix Divi is expected to continue in the tradition of very low TERs and AERs, making Satrix amongst the lowest cost Exchange Traded Funds in the world.

3. **Details on the FTSE/JSE Dividend Plus Index**

FTSE/JSE launched the new Dividend Plus Index in August 2006. The Dividend Plus is a **yield weighted** index designed to select and measure the performance of the higher yielding shares on the JSE.

The index selects the top 30 high yield instruments based on a one year forecast dividend yield. The consensus forecast of stockmarket analysts, from both the buy and sell side of the industry, is collected in the McGregor BFA Survey. The analysts provide forecasts purely based on cash dividends, therefore excluding special dividends, capital reductions and capital repayments.

The index universe consists of companies in the FTSE JSE Top 40 and FTSE/JSE Mid-Cap indices, excluding property companies. Shares included in the Dividend Plus Index should be sufficiently liquid to enable the entire portfolio to trade by R50 million per day.

The selection of the 30 shares in this portfolio is based on forecasted dividend yield rather than market capitalisation and price, which is the method normally used in index construction.

The index is reviewed annually in June. Any additions and deletion to the index will only be done at the annual review, except in the case where corporate actions occur, such as terminations or mergers. In which case, the FTSE/JSE maintains a reserve list of the five highest ranking shares, sorted by forecasted dividends, and the next highest ranking share replaces one which falls out of the index.

In order to reduce index constituent changes, a maximum of 5 additions and 5 deletions are allowed at each annual review. Since its listing in late August 2006, the dividend Plus Index has appreciated by some 37 percent. The JSE code is J259.

The companies on the FTSE/JSE Dividend Plus Index, the weightings and forecast dividends are contained in the attached Table 1.

4. **Fundamental Indexation**

Satrix Dividend Plus will be the first Collective Investment Scheme product, freely available to the South African public based on fundamental indexation weighting methods. Fundamental indexing selects and rates shares, not by market capitalisation (size and price), but by fundamental financial data, such as sales, cash flows, valuation ratios like price-to-book, earnings yields or dividend yields.

In the case of the Dividend Plus Index, anticipated dividend yields are the criteria utilised to select, rank and weight the inclusion of 30 shares in the index.

Fundamentally weighted index tracking products, notably ETFs, are amongst the most popular and fastest growing new instruments being listed on global stockmarkets, particularly, in the US and Europe.

A big part of the attraction of fundamental indexation is that it selects index component shares on performance, not only in size, and so these fundamentally weighted portfolios can often compete on performance with other actively managed funds. The “value lift” provided by fundamentally indexed tracker funds is a valuable competitive feature, particularly because they maintain the traditional benefits of passive funds of low transaction costs, low expense ratios, broad diversification and transparency.

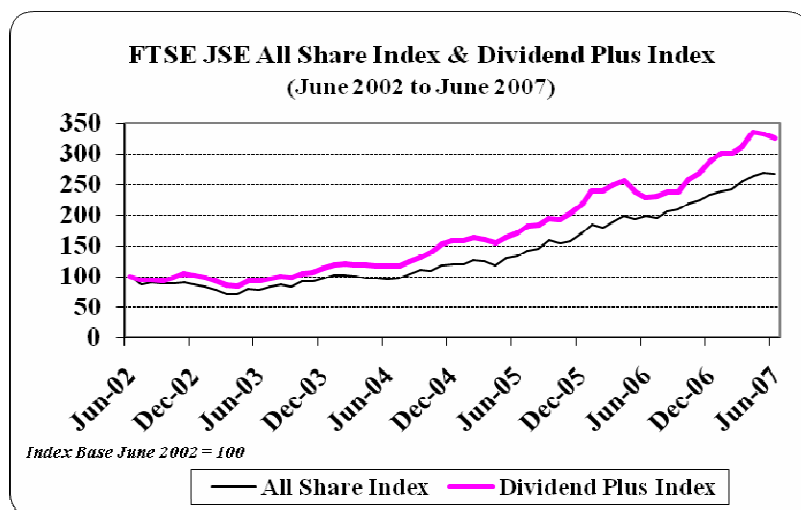
Dividend based products have become particularly popular in international markets. Reasons for this include:

- Dividends and their growth provide a strong theoretical basis for the value of individual stocks and portfolios of stocks.
- Dividends have historically provided the major part of the US stockmarkets real return. For instance, a study by Professor Jeremy Siegel, of the Wharton School found that from 1926 to 2004, reinvestment of dividends accounted for 96% of the stockmarkets return after inflation.
- Dividends tend to offer more protection in bear markets, particularly if investors buy more shares with reinvested dividends.
- Cash dividends are an objective measure of a company’s value and profitability and is subject to limited manipulation by accounting methods.

5. Satrix Divi – Performance Issues

The Satrix Divi, which is a passive index tracking portfolio, based on the highest sustainable dividend yielding products on the JSE Top 40 and Mid-Cap share universe, looks an exciting product for adding both income as well as capital returns to the investment options available to stockmarket and unit trust investors.

The attached graph shows the historical return of the FTSE/JSE Dividend Plus Index compared with the FTSE/JSE All Share Index. The dividend plus index has comfortably outperformed the All Share Index over the 5 year period for which data is available.



The Satrix Divi looks to provide an excellent means of seeking alternative alpha (or performance); to diversify portfolios; to seek higher yields; and to provide a new asset class.

Based on the performance of the FTSE/JSE Dividend Plus Index, since its launch on 21st August 2006, a Satrix Dividend Plus product, based on this index would, over the past 11 months, have provided a total return (including reinvestment of dividends) of some 42 percent, putting it comfortably in the top performance quartile of CIS funds over the period.

6. How to Participate in the Satrix Divi Initial Public Offer (IPO)

The initial offer for subscription to the public offer for Satrix Divi commences on Monday 30th July. The closing date for subscriptions is Friday 24th August 2007. The new Satrix securities will be listed on the JSE on Thursday 30th August 2007.

If you wish to participate in the IPO process, please contact your stockbroker. Alternatively, you can subscribe through the Satrix Investment Plan or you can contact the Satrix Call Centre at the following number: 086 1100 670.

Sanlam Private Investments, are the “Participating Broker” will also facilitate participation in the IPO, by opening accounts for investors who do not have such facilities with other stockbrokers.

Any subscriptions to the IPO must be in cash and the minimum subscription is R1000 and in multiples of R1000 thereafter.

Subscription in the IPO does not incur brokerage, UST and other transaction charges and investors are assured of receiving a full allocation of Satrix Divi securities, for the cash amount they have subscribed, at the listing price of these securities.

For further information, please visit the Satrix website: www.satrix.co.za or contact Satrix directly: Tel: 011-784-0641; Email: info@satrix.co.za

TABLE 1

Components of FTSE/JSE Dividend Plus Index

	Weighting in index (%)	Dividend Yield (%)		Weighting in index (%)	Dividend Yield (%)
Barlorld	3.89	2.45	ABSA	1.96	3.64
Highveld Steel	2.14	6.45	RMB Holdings	3.34	3.83
Impala Platinum	4.84	2.36	African Bank	7.32	7.05
Liberty Group	2.45	4.17	JDO Group	5.09	6.16
Nedbank Group	1.93	3.76	Metropolitan Life	3.70	5.17
Pick 'n Pay	2.18	3.65	Santam	1.51	3.55
Anglo Platinum	2.66	4.36	Allied Technologies	2.21	3.75
Tongaat-Hulett	1.50	5.91	Woolworths	3.54	3.10
Renert	4.35	3.75	Massmart	3.43	3.05
Nampak	5.16	4.06	Grindrod	2.68	2.68
PIV*	1.47	4.58	Northam Platinum	6.97	7.26
AVI	3.55	3.23	Foschem	3.31	3.81
Standard Bank	3.47	3.20	Astral Food	4.75	4.59
Hulamin	0.49	0.90	Telkom	2.93	3.66
Sanlam	3.66	3.47	Lewis Group	3.92	4.15