Corporate and
Investment Banking

ABSA

NewFunds NewSA Index Exchange Traded Fund

Member of
BARCLAYS

Table of Contents

Exchange Traded Funds	3
Fund Overview	3
NewSA Index	4
Fund Facts	4
Fund Benefits	5
Risks	7
Frequently Asked Questions	8
Contact Details	9
FAIS Act Notice and Disclaimer	9

The first equity ETF in South Africa to reward transformation by tracking a broad-based BEE index.

Exchange Traded Funds (ETFs)

ETFs are open-ended, listed investment vehicles, enabling investors to gain diversified exposure to entire stock markets, specific market sectors, different asset classes or various investment themes by purchasing a single security listed on a stock exchange such as the JSE.

ETFs are:

- **Fast and efficient** - giving investors real-time access to markets
- **Convenient** - purchase of a single security gives exposure to the whole market or market segment
- **Transparent** - the underlying investments are fully disclosed on a daily basis; the investment/ index methodology is published and easily replicable
- **Safe** - ETFs are mainly structured as Collective Investment Scheme portfolios and are fully regulated by the Financial Services Board (FSB) and the Collective Investment Schemes Control Act (CISCA), 2002. In addition, as JSE listed securities, they are regulated by JSE's ETFs rules. The underlying assets held by the ETF portfolios are physically held in custody on behalf of the investors. ETFs in South Africa do not have any exposure to derivatives
- **Cost effective** - as ETFs employ passive investment methodology (i.e. index-tracking), they are generally more cost effective than the comparable active funds (e.g., unit trusts/ unlisted collective investment schemes).

Importantly, ETFs combine all the benefits of a collective investment scheme (unit trust) such as investor protection (since the assets are held in custody on behalf of investors), full disclosure and tax benefits, with the convenience and efficiency of trading a listed security.

Traditionally, individuals have been major investors of ETFs. Internationally, this trend is changing as institutional investors recognise the benefits of these low cost and efficient investments and incorporate them into their investment strategies.

Fund Overview

Broad-Based Black Economic Empowerment (B-BBEE) and the transformation of South Africa's companies are widely regarded as social, business and economic imperatives. While it is recognised that progress is being made, there's an appreciation that much remains to be done. With this in mind Absa CIB created and launched an exciting new investment product, NewSA Exchange Traded Fund (NewSA), which leverages the power of the markets to help facilitate the transformation process.

The NewSA ETF is the first investment product in South Africa that enables investors to recognise and invest in transformation and B-BBEE in South African companies. NewSA ETF tracks the performance of the NewSA Index, a modified Top 40 index that weights the top 40 JSE listed companies in accordance with their empowerment ratings (as measured by Empowerdex, an independent empowerment rating agency).

The NewSA Index is independently calculated by the FTSE and the JSE and updated daily.

Investing in NewSA is not only socially responsible, it is an intelligent investment option as highly empowered companies are expected to perform better, particularly at a time when the South African government is driving large scale infrastructural development.

NewSA ETF minimises risk through the diversity of its forty blue-chip shares, is liquid, has no restrictions on entry and exit, and is cost effective and transparent.

This product is also designed to encourage listed companies to continue working towards upgrading their B-BBEE credentials.

NewFunds NewSA ETF is structured as a portfolio within NewFunds CIS, an FSB approved Collective Investment Scheme, and listed on the JSE Limited.

NewSA Index

NewSA ETF tracks the price performance of the NewSA Index, a modified version of the Top 40 Index. Weightings of the NewSA Index constituent companies are adjusted to reflect their empowerment status, calculated according to the Department of Trade and Industry's (DTI's) Codes of Good Practice on B-BBEE, which take into account the seven pillars of transformation: ownership, management, employment equity, skills development, preferential procurement, enterprise development, and socio-economic development.

The overall B-BBEE score for any company represents the sum of the scores achieved by such company across all pillars or elements.

The empowerment scores are provided by the leading South African empowerment rating agency, Empowerdex.

The Index itself is independently calculated by FTSE/JSE.

The B-BBEE score for a company is based on the following seven pillars:

Pillar	B-BBEE Code Series	Weight in the composite score
Ownership	100	20%
Management	200	10%
Employment equity	300	10%
Skills development	400	20%
Preferential procurement	500	20%
Enterprise development	600	10%
Socio-economic development	700	10%

Fund Facts

Issuer	NewFunds Collective Investment Scheme (NewFunds CIS)	**JSE Code**	NEWFSA
		Listing Date	01 Dec 2008
Manager	NewFunds (Pty) Ltd	**ISIN**	ZAE000104055
Originators	Absa Bank Limited acting through the Absa CIB division	**Offer Price**	Approximately 1/1000th of the average NewSA Index level
Listing	JSE Limited ("JSE")	**Distributions**	Quarterly
Sector	Exchange Traded Funds	**Investment Objective**	NewSA ETF tracks the performance of the NewSA Index, an index comprised of the companies included in the FTSE/ JSE Africa Top 40 Index, weighted according to such companies' empowerment credentials
Index	NewSA Index		

Fund Benefits

Traded like a share

ETFs are funds listed and traded like ordinary shares on a stock exchange. Profits or losses are made from the difference between buying and selling prices. Like any other security, ETFs carry the risk of a loss or profit as its value changes. The advantage of ETFs is that they can readily be bought or sold as with any listed security. They can be traded throughout normal JSE trading hours and their actual value can be calculated at any time, unlike an unlisted collective investment scheme (unit trust) or other actively managed fund where the unit price is calculated internally and is reported weekly, monthly or sometimes only quarterly.

Lower fee structure

Tracking the performance of an index or market is deemed to be passive investing. Passive investment products are usually associated with lower costs. Active investing attempts to outperform a given market or index. In return for the promise of premium performance, active investment managers and advisors charge fees over and above the usual investment costs.

Easily verifiable

Another advantage of ETFs is its record keeping process. All purchases, sales and creations are through an exchange, which provides an additional reconciliation for funds. The JSE stipulates that an ETF can only track a publicly traded index. This means the performance of NewFunds ETF can easily be measured against its stated index. The prices quoted can be reconciled and verified making the investment totally transparent.

Liquidity

ETFs are easy to buy and sell. All NewFunds ETFs make use of Absa CIB, a reputable market maker, to ensure that liquidity is always maintained. If there is no willing buyer or seller at the other end of the trade, the market maker will step in as the counterparty. Those investors, who do not wish to receive cash for their shares, will always have the right to get their proportionate holding of the actual underlying assets instead (subject to minimum size limits).

Convenience and flexibility

NewFunds ETFs offers exposure to a broad range of different markets through a single investment transaction and responds to market movements on the securities exchange throughout the trading day. Active funds, on the other hand, require the active attention of investment managers. Therefore, investors generally are not in a position to know when and at what prices the shares in their portfolios are being traded.

Transparency

The holdings of NewFunds ETF track the underlying index as their benchmark, these components are fully disclosed.

Structured products

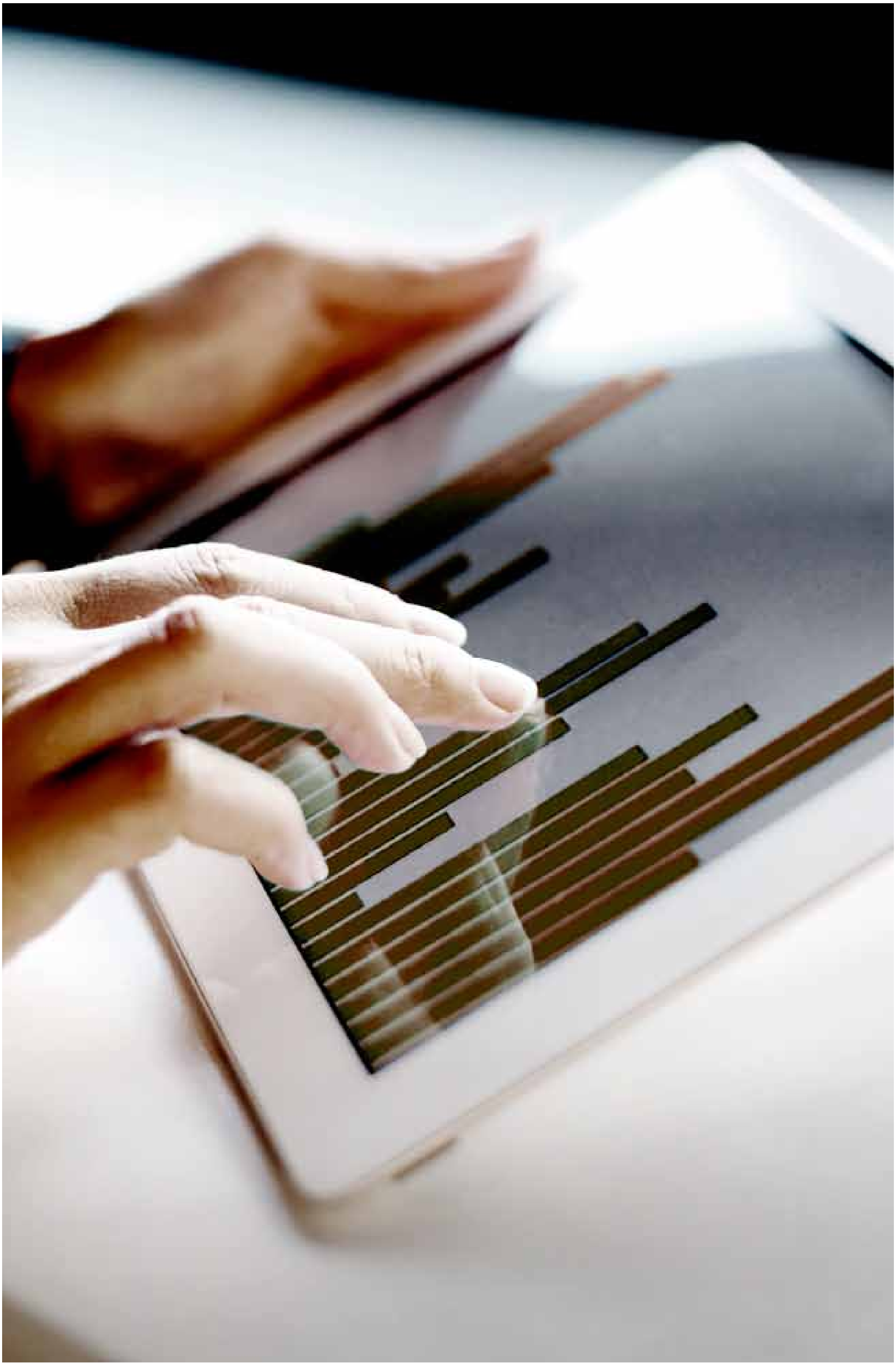
Since NewFunds ETFs are listed instruments, it is possible to write structured products against the performance of these securities to create a specific payoff profile. For example, a bank could guarantee the investor's capital over a 12-month period whilst the investor could still benefit from the performance of NewFunds ETF up to a stated capped return.

Security

The assets of NewFunds ETFs are held in custody on behalf of investors and are part of a registered Collective Investment Scheme approved by the FSB and regulated in accordance with the provisions of the Collective Investment Schemes Control Act, 2002 (CISCA). Importantly, compliance and control is performed by a management company which is run by board of independent non executive directors. The assets of the investors are held by Standard Bank Trustees.

Taxation

Investors maybe liable for Income Tax or Capital Gains Tax (CGT) at the time of sale, in addition, Dividend Withholding Tax (DWT) may be payable on dividends from the ETFs. Investors are advised to consult their tax advisors before investing.



Risks

Although ETFs are generally regarded as lower-risk investments, particularly over the medium to long term, they are still based on securities, with the inherent risks of trading on any securities exchange.

Market risk

The value of ETF securities will rise and fall according to market changes. As with most investment vehicles, the investor's capital is not protected in an ETF. Therefore, depending on market movements during the investment period, an investor is not guaranteed to get back their initial capital upon the sale of the ETF. Structured products can however be used to provide capital guarantees should this be a requirement.

Tracking error

The aim of an ETF is to track a stated index, but there may be times when slippage from the index is inevitable. This slippage is known as 'tracking error' and can be caused by a number of different factors:

- Differences in dividend reinvestment
- Lack of liquidity in the underlying index
- Timing lags in rebalancing the underlying securities in line with the index
- Management fees and expenses in running the ETF.

However, tracking error is usually quite small and detracts very little from the overall return.

Frequently Asked Questions

1. What is an Exchange Traded Fund (ETF)?

   Exchange Traded Funds (ETFs) are passively managed index funds that are listed and traded on a securities exchange. An ETF tracks the performance of (and/or gains a broad exposure to) a particular index, sector or a commodity for individual and institutional investors.

Does NewSA have performance fee?

   Since NewSA ETF is a passively managed fund there are no performance fees, this is another good reason why ETFs are considered as low cost investments.

2. Does NewSA pay out distributions on quarterly or monthly basis?

   Yes. Since NewSA ETF tracks the price performance of the NewSA Index, dividends get paid-out to investors in a form of cash whenever declared.

3. How are the stocks selected in NewSA ETF weighted?

   The companies with higher empowerment credentials are given higher weightings.

4. Given that the NewSA ETF has a social responsibility aspect, is it still a viable investment opportunity?

   Yes, because empowered companies are generally favoured for business relations, contracts and tenders, particularly at a time when the South African government is driving large scale infrastructural development.

Contact Details

General queries/administration
Tel: 0860 000 005
Email: aimsenquiries@absa.co.za

Investing through an investment plan or online
Tel: 0860 000 005
Email: aimscc@absa.co.za

Absa CIB ETPs
Website: http://etfcib.absa.co.za

15 Alice Lane, Sandton, 2196, South Africa: http://cib.absa.co.za

FAIS Act Notice and Disclaimer

This document is for information purposes only and may be amended without notice. This is not a prospectus for any security, financial product, transaction or service. NewFunds (Pty) Ltd, Absa Bank Limited, NewFunds Collective Investment Scheme (NewFunds CIS) (collectively the "Promoters") do not recommend or propose that the securities and/or financial or investment products or services ("the products") referred to in this document are appropriate and/or suitable for your particular investment objectives or financial situation or needs. The products are issued by NewFunds CIS and managed by NewFunds (Pty) Ltd. This document and any other information supplied in connection with the NewFunds CIS is not: (i) "advice" as defined and/ or contemplated in the Financial Advisory and Intermediary Services Act, 37 of 2002, ("FAIS Act") or (ii) any other financial, investment, trading, tax, legal, accounting, retirement, actuarial or other professional advice or service whatsoever ("advice") or (iii) intended to provide the basis of any credit, financial or other evaluation. Accordingly, the information contained herein merely contains a description of certain facts as at the date hereof and should not be considered as a recommendation by the Promoters or any other professional advisers. If you are contemplating purchasing any participatory interest you are required to carry out your own independent investigation and appraisal of the financial condition and affairs of the Promoters, in particular the NewFunds CIS (a member of the Association for Savings & Investment SA). You therefore have to obtain your own independent advice prior to making any decision or taking any action whatsoever based on this document. The Promoters disclaim any liability for any direct, indirect or consequential damage or losses that you may suffer from using or relying on this document even if notified of the possibility of such damage or loss and irrespective of whether or not you have obtained independent advice. This document is neither an offer to sell nor a solicitation of an offer to buy any of the products, which shall always be subject to the Promoters' internal approvals and a formal agreement between you and the relevant Promoter. Any pricing included in this document is only indicative and is not binding as such on the Promoters. Not all the risks and issues related to the products are disclosed and therefore, prior to investing or transacting, you should fully understand the products and any risks and issues related to or associated with them. The products may involve a high degree of risk including, but not limited to, the risk of (a) low or no investment returns, (b) capital loss, (c) counterparty or issuer default, (d) adverse or unanticipated financial market fluctuations, (e) inflation and (f) currency exchange. The value of any product may fluctuate daily as a result of these risks. There may also be a difference between the performance of the underlying ETF and the performance of the asset pool or index that the ETF is designed to track as a result of, amongst others, failure of the tracking strategy, currency differences, fees and expenses. Collective Investments Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not generally a guide to future performance. CIS products are traded at ruling prices and can engage in borrowing and scrip lending. Any investment is speculative and involves significant risks and in making any investment decision, or in advising a third party in respect of an investment decision, you will rely solely on your own view and examination of the facts, information, opinions and the records relating to such investment. The Promoters do not predict actual results, performances and/or financial returns and no assurances, warranties or guarantees are given in this regard. The information, views and opinions expressed herein are based on third party sources believed by the Promoters to be reliable and are therefore expressed in good faith. The Promoters give no recommendation, guide, warranty, representation, undertaking or guarantee concerning the accuracy, adequacy and/or completeness of the information or any view or opinion expressed herein. Any information on past financial returns, modelling or back-testing is no indication of future returns. No representation on the reasonableness of the assumptions in any modelling or back-testing is made. The Promoters do not warrant merchantability, non-infringement or third party rights or fitness for a particular use and/or purpose. All opinions, views and estimates are given as of the date hereof and may change without notice. The Promoters expressly disclaim any liability for any damage or loss as a result of errors or omissions. The Promoters, their affiliates and individuals associated with them may (in various capacities) have positions or deal in securities (or related derivative securities), financial products or investments identical or similar to the products which may impact the value and performance of the products. The information and views contained in this document are proprietary to NewFunds (Pty) Ltd and are protected by copyright under the Berne Convention. In terms of the Copyright Act 98 of 1978, as amended, no part of this document may be reproduced or transmitted in any form or by any means, electronic or otherwise, including photocopying, electronic scanning, recording, or by any information storage or retrieval system, without prior permission in writing from NewFunds (Pty) Ltd. The illegal or attempted illegal copying or use of this information or views may result in criminal or civil legal liability.