

PREFEX CO LIMITED ("PrefEx Co")
INSTRUMENT: PREFEX SECURITIES
ABBREVIATED NAME: PREFEX
SHARE CODE: PREFEX
ISIN CODE: ZAE000164570

CONVERSION OF PREFEX SECURITIES EXCHANGE TRADED FUND ("ETF") TO THE COLLECTIVE INVESTMENT SCHEMES CONTROL ACT ("CISCA") FORMAT, CHANGE OF NAME TO PREFTRAX AND NOTICE OF A MEETING OF SECURITIES HOLDERS

1. Background

On the 28th of March 2012 Grindrod Bank Limited ("GBL") originated and listed PREFEX Securities. On 26 August 2013 GFS Holdings (Proprietary) Limited ("GFS"), GBL's sister company and currently the sole owner of PrefEx Co Limited, acquired Property Index Tracker Managers Proprietary Limited ("PITM") from Resilient Property Income Fund Limited. PITM currently manages two other ETF securities on the JSE namely PTXTEN and PTXSPY. PITM is a CISCA management company specifically mandated to manage ETF portfolios. The deed in respect of PITM ("the Deed") was approved on the 20th of July 2007 by the Registrar of CISs and allows for the establishment of further ETF portfolios by way of a Supplemental Deed to the Deed.

In terms of section 4.2 of the PREFEX Securities Offering Circular ***"PrefEx Securities are not participatory interests in a CIS as defined in CISCA. The investment manager may however, in the future decide to apply for authorisation under CISCA for the arrangement pursuant to which the PrefEx Securities are issued, to convert into a CIS"***.

Given that there is now a license in place to establish a CIS under CISCA that can replicate in all material aspects, and enhance, the existing PrefEx structure, the directors of PrefEx Co Limited have decided to proceed with such a conversion of PREFEX Securities. It should be further noted that the majority of ETFs trading on the JSE are formatted as CIS funds.

2. Changes to the security

A new portfolio "Property Index Tracker Preference Share Fund (PREFTRAX)" has been or will be created under PITM. An extract from the Supplemental Deed No. 4 (the "Supplemental Deed") to the Deed to establish a portfolio in respect of the scheme has been included in this announcement. The Supplemental Deed will replicate in all material aspects the rights under the Deed and the Investor's rights under the PREFEX Securities. Both the Deed and the Supplemental Deed are available for inspection at GBL's offices.

The effective date of conversion is scheduled for 2 December 2013, or at such later date otherwise communicated to PREFEX Securities holders (“Conversion Date”). On 9 December 2013 PREFEX Securities will be cancelled and new PREFTRAX securities will be issued to investors for the same value.

In terms of the PrefEx Co Limited’s Memorandum of Incorporation (“MOI”) a conversion requires favorable approval by **three-fourths** of all PREFEX Securities holders.

The value will be set at the Net Asset Value (“NAV”) of the existing PREFEX Securities and the NAV will be consistent with the existing PREFEX Securities contracts. The PREFEX Securities will be converted without any accruals as a special distribution will be paid out simultaneously with the conversion. The special distribution will be announced in due course.

3. Impact on Investors

Regulatory

PREFEX Securities are currently not structured as a CIS portfolio. By converting the structure Investors will enjoy additional regulatory oversight and it is also anticipated that the CIS structure will appeal to a wider set of investor mandates.

Tax

CIS’s enjoy favorable capital gains tax dispensation not currently enjoyed by PREFEX Securities holders and are also regulated intermediaries, which will improve Dividends Withholdings Tax administration. The change in structure from the J251 Trust (a discretionary trust) to the CIS, will give rise to certain tax consequences for the J251 Trust and the PREFEX Securities holders. This arises from the sale of the assets to the CIS in exchange for a participatory interest in the CIS. A Capital Gains Tax (“CGT”) event will occur, however, as the J251 Trust has accumulated capital losses, the actual cash tax implications for the J251 Trust and for Investors should be nominal. The CIS will be liable for Securities Transfer Tax (“STT”) on the transfer of the assets. This cost will be borne by GBL. PREFEX Securities holders are advised to seek their own tax advice.

Costs

There will be no change in the fee structure, currently set at 0.45% (excluding VAT). Refer section 5.1.1 of the extract from the Supplemental deed.

Investment objective

PrefEx Co has been granted the right by the licensor to issue ETF securities that track the J251 index and will transfer these rights to PITM. This has been agreed to by the licensor.

Distribution Policy

The Distribution policy will remain unchanged, except for a change in the quarterly cycle from February, May, August and November to March, June, September and December.

Financial year-end

The financial year-end of PREFEX will be aligned to that of PITM, which currently is 30 June of every year.

4. Service Providers

All existing appointments including, but not limited to, Market Makers, Auditors, Sponsors, Administrators, Legal and Investment Advisors will remain in place with amendments to service level agreements where necessary.

5. Name change

The PREFEX name will change to PREFTRAX so as to be consistent with the two existing PropTrax products.

6. Option to Redeem

Notwithstanding the voting process and the scheduled meeting of PREFEX Securities holders, should the holders not wish to have their securities converted to the new structure their options are as follows:

1. Sell the PREFEX Securities in the open market prior to the Conversion Date, or
2. Per section 4.4 of the offering circular PrefEx Security holders have the right to deliver blocks of securities in exchange for baskets or a Rand amount equal to that basket. Furthermore, the Market Maker will purchase partial baskets in the open market up until 5 business days prior to the Conversation Date.

7. Meeting of PREFEX Securities holders and Salient dates

In terms of the PrefEx Co's MOI the directors of PrefEx Co Limited hereby notifies PREFEX Securities holders of a meeting of PREFEX Securities holders in relation to the conversion of the PREFEX Securities to a CIS format.

Monday, 4 November 2013:	Notice sent to PREFEX Securities holders including a form of proxy and the conversion is announced on SENS
Friday, 15 November 2013:	Last date for submission of proxy forms by close of business (5 p.m.)
Tuesday, 19 November 2013:	Special meeting (see details in 9. below)
Friday, 22 November 2013:	Finalisation announcement (expected)
Friday, 29 November 2013:	Last date to trade under the name PREFEX (expected)
Monday, 2 December 2013:	Commencement of trading under the name PREFTRAX, share code PREFTX and ISIN code ZAE000185658 (expected)
Friday, 6 December:	Record date (expected)
Monday, 9 December	Accounts of dematerialised securities holders updated at their CSDPs or brokers

8. Regulatory approvals: general disclaimer

Various components relating to the conversion (including, but not limited to, changes to: the security name, time lines and constitutive documents) require specific approvals from the Regulators both the Financial Services Board and or the Johannesburg Stock Exchange. These approvals are also interdependent on each other. Accordingly certain aspects of the conversion process are subject to change. If deemed material and or detrimental to PREFEX Securities holders, such changes will be announced on SENS.

9. Further information pertaining to the vote and the relevant contact details

The meeting shall be held at: 4th Floor, Grindrod Tower, 8A Protea Place, Sandton

Time: 10am

Investors requiring further information on the conversion should contact the Capital Markets department of Grindrod Bank Limited, the details of which are set out below. Please entitle email correspondence: "PrefEx Conversion Query"

Grindrod Bank Limited

etfs@grindrodbank.co.za

011 459 1860

Gareth Stobie 011 459 1866

Chris Rule 011 459 1846

Thandeka Mthembu 011 459 1865

EXTRACTS FROM THE SUPPLIMENTAL DEED

1. PREAMBLE

- 1.1 The scheme was established as a CIS in accordance with the provisions of the Act with effect from 20 July 2007.
- 1.2 In terms of paragraph A as read with clause 21 of the Deed, the manager and the trustee may, with the consent of the Registrar, establish one or more portfolios. Accordingly the parties have agreed to establish a portfolio to be known as the Property Index Tracker Preference Share Fund, which shall be subject to all the provisions of the deed and any supplemental deeds.
- 1.3 Expressions defined in the Deed shall bear the same meaning therein assigned to them when used in this supplemental deed, except to the extent that this supplemental deed amends those definitions.
- 1.4 Save for any amendments to the Deed set out below, the deed remains of full force and effect.

IT IS RECORDED THAT THE PARTIES HERETO AGREE TO THE FOLLOWING:

2. CONSTITUTION OF PORTFOLIO

There is hereby established the Property Index Tracker Preference Share Fund, as a portfolio of the scheme. The short name of Property Index Tracker Preference Share Fund shall be known as 'PrefTrax'.

3. AMENDMENTS TO THE DEED

3.1 Definitions

Clause 1 of the Deed is hereby amended by the addition of the following new definition:

The "J251 Index" means the FTSE / JSE preference share index, an index consisting of preference shares issued by constituent companies traded on the JSE and calculated daily by the JSE (or such other independent calculation agent appointed by the JSE from time to time).

4. INVESTMENT POLICY

4.1 The investment policy of Property Index Tracker Preference Share Fund is to:

4.1.1 provide investors with an efficient and easily accessible means by which to achieve a return that tracks the price and yield performance of the J251 Index; and

4.1.2 Attempt to place an investor in substantially the same position, from capital and income perspective, as if they held the underlying constituents of the J251 Index in their correct weightings.

4.2 The J251 index may be adjusted from time to time according to the rules of the J251 Index. The adjustments may require the removal of a constituent security from the index and the replacement thereof with a new constituent security. Adjustments to the portfolio will at all times remain substantially aligned with the J251 Index.

4.3 The portfolio's ability to replicate the price performance of the J251 index will be affected by the costs and expenses incurred. Costs and expenses incurred may result in the J251 Index not being replicated perfectly by the portfolio.

4.4 The aim of the portfolio is, as far as possible, to provide returns linked to the performance of the J251 index in terms of both price performance as well as income from the component securities of the J251 Index.

4.5 In order to achieve the abovementioned objective, the portfolio will generally be invested in all of the component securities of the index in proportion to their weighting in the J251 Index and will under normal circumstances aim to be invested in at least 100% of the preference shares comprising the J251 Index.

4.6 In no event will the portfolio be managed according to the traditional approach of active investment management, rather a passive approach will be applied.

4.7 Assets in liquid form will form a minor part of the portfolio's assets.

4.8 The portfolio aims to hold component securities in the J251 Index so that the weighting of each security it holds does not diverge substantially from the weighting of that component in the J251 Index.

4.9 The Trustee shall ensure that the investment policy set out in this supplemental deed is carried out.

5. SERVICE CHARGE AND METHOD OF CALCULATION

5.1 For the purposes of clauses 44 and 45 of the Deed, and subject to the provisions of clause 5.2 below, the manager is entitled to a monthly service charge (exclusive of value added tax) calculated as follows:

5.1.1 [(daily market value of the total assets of the portfolio, excluding income accruals and permissible deductions, if any x [45 basis points]) / 365] x no. of days in the relevant month; or

5.1.2 any lower amount nominated at the manager's discretion.

5.2 The manager may change any charge for this portfolio, introduce additional charges or change the method of calculation of any charge that could result in an increase in charges, provided that:

5.2.1 not less than 3 months' written notice has been given to every investor;

5.2.2 the necessary amendments to this Supplemental Deed have been effected; and

5.2.3 the prior written approval of the JSE has been obtained.

6. UNDERTAKING

The parties to this supplemental deed hereby confirm that the Deed has been scrutinized to ensure that this supplemental deed is compatible with the Deed.

7. EFFECTIVE DATE

This supplemental deed shall take effect from the date of approval hereof by the Registrar.

Sandton

4 November 2013

Sponsor

Grindrod Bank Limited