



SHARE INVESTMENT SOLUTIONS

A Licensed Financial Service Provider - No:29779



LISTED GLOBAL PROPERTY INVESTMENT AS AN ALTERNATIVE TO THE PURCHASE OF LOCAL PHYSICAL PROPERTY.

WHY GO GLOBAL?

1. Better opportunities through access to a greater investment universe.

1.1 Risk diversification

- both political
- and economic (exposure to different interest rate cycles and currencies)

1.2 Earn returns from overseas in the form of:

Cash Dividends

Capital Appreciation



WHY LISTED PROPERTY?

2. It's extremely liquid and can be converted to cash in 3 trading days unlike property syndication.
 - 2.1 Transaction costs on purchase and disposal are no more than 1.5%.
 - 2.2 There is no transfer duty on purchase, however certain countries charge different rates of stamp duty on share purchases.
 - 2.3 You can achieve massive diversification across many properties in many countries efficiently.
 - 2.4 Listed property can be bought at large discounts on occasion because of the short term inefficiencies of the stock market. Currently US listed property can be bought at a 30%+ discount to fair value.
 - 2.5 Listed property allows the owner to effectively borrow money overseas at favourable interest rates unlike in South Africa where the rate on a commercial property loan is prime +2 % - currently 16.5% pa.



WHY LISTED PROPERTY? (continued)

- 2.6 In a lot of cases with the purchase of an older building it is very difficult to obtain finance so the purchase has to be made for cash thus limiting one's options.
- 2.7 Each listed property company has borrowings on its balance sheet that allows the owner to enhance his return on equity. Return on equity can be enhanced further by using a margin loan.
- 2.8 There are no hassles of administrating property,
- maintenance is done for you
 - rents are collected for you
- by professional large property management organizations selected by S.I.S.

WHY SHARE INVESTMENT SOLUTIONS (S.I.S.)?



S.I.S. is an independent innovator of new ideas and an exploiter of current opportunities:

3. The internet has allowed investors access to data on companies all over the planet which has allowed us to offer investments not offered to South African's before.
 - 3.1 The South African Revenue Service has increased the offshore investment allowance to R 2 million but local institutions have not made the effort to obtain the expertise to invest directly offshore so they sell global unit trust funds instead.
 - 3.2 Global unit trusts are too diversified and have a very expensive fee structure and cannot be bought at a discount to fair value such as closed end funds. The capital base that a Unit Trust Fund Manager controls is not constant and varies according to unit trust fund inflows and outflows.
 - 3.3 S.I.S. advocates the physical moving of client funds offshore unlike most of the local institutions who use asset swaps to achieve offshore exposure with the result that physically your funds don't leave the country.
 - 3.4 Very few unit trusts provide regular income. They are sold by sales people who often don't understand what they are selling and rarely invest in the products themselves. S.I.S. generally invests with clients in the same investments. We eat what we cook!!

WHY SHARE INVESTMENT SOLUTIONS (S.I.S.)? (continued)



- 3.5 The person that sells the product is not managing your money – they will often jump to the next institution as soon as they are offered a better package. If you choose S.I.S. you will develop a close relationship with your investment manager.
- 3.6 There is a perception that investing your money with a big institution is safe – anybody who has ever held an endowment policy or retirement annuity long term will know that this is nonsense and more recently in the US investors have lost a fortune in subprime investments sold by the BIG SAFE INSTITUTIONS!!
- 3.7 S.I.S. is not pressurized to perform in the short term unlike other institutional fund managers who are often evaluated quarterly and so have a short term bias which is not a good recipe for investment success. Institutional fund managers will often also jump ship at the prospect of a bigger package offered by a rival institution.
- 3.8 S.I.S. has identified the unexploited opportunities and embraces the concept of **long term business ownership** worldwide via shares as opposed to short term share trading or ownership of local physical property.
- 3.9 S.I.S. is a value investor and seeks to buy undervalued global businesses that produce cash dividends.

THE TYPES OF INVESTMENTS S.I.S. SPECIALIZES IN:



4. High dividend yielding property and infrastructure shares and other high yielding shares (there are many).

High yield shares offer cash dividends that are paid:

Monthly

Quarterly

Bi annually

Annually

- 4.1 Capital appreciation will be achieved over the long term but this is regarded as a bonus in the short term.
- 4.2 Currently the US subprime crisis has resulted in incredible panic selling with the result that capital appreciation should be far greater than under normal investment conditions, hence creating a wonderful window of opportunity **right now**.

GLOBAL PROPERTY SHARES AS AN INVESTMENT



5. S.I.S. identifies property companies with balance sheets that are safely leveraged which allow the shareholders greater exposure to the underlying assets.

5.1 Example

Balance Sheet of a Overseas Property Company

Assets

Various Properties around the world \$1.8 billion

Liabilities

Long and short term loans \$0.9billion

Equity

Shareholder Capital \$0.9 billion (you become part owner of this)

Leverage = $\$1.8/\$0.9 = 2:1$

This means your ZAR 2 million offshore investment buys ZAR 4million of overseas property exposure. So if the properties go up 10% your equity will increase by $(2 \times 10\%) = 20\%$.

GLOBAL PROPERTY SHARES AS AN INVESTMENT (continued)



- 5.2 However due to short term market inefficiencies the market price may not go up by this amount. Over the long term the market price will reflect the value of the equity.
- 5.3 Your properties are professionally managed and after borrowing against the properties they can still produce positive cash flow in the form of dividends.
- 5.4 Currently we can safely get (10%- 12%) yield on these investments.
- 5.5 The assets are solid bricks and mortar buildings held in property companies. Financial institutions are willing to lend against such assets because they have such stable cash flows so the property companies normally have no trouble getting finance.
- 5.6 They also don't just sit on the same properties like an individual physical owner of property would tend to do – they use their property teams around the world to seek out new property purchase opportunities and dispose of some of their existing properties on occasion.
- 5.7 Cash dividends are usually steady and rise over time with annual rent escalations.
- 5.8 Risk adverse investors can sleep well at night!!



EXAMPLES OF PROPERTY INVESTMENTS:

6. You can own investments in big shopping centres, industrial estates, office blocks, hotels, retirement villages, residential apartments.

SHOPPING CENTRES



SHOPPING CENTRES

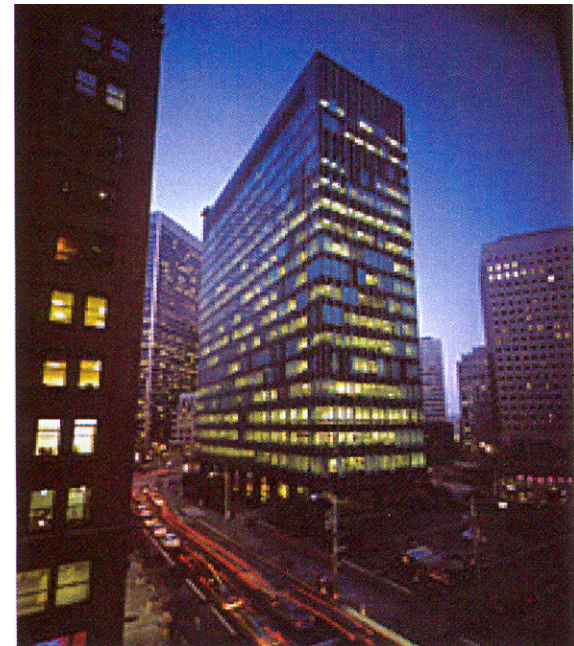




INDUSTRIAL PROPERTY ESTATES



OFFICE BLOCKS





HOTELS



RETIREMENT VILLAGES



WINDLEY PARK, FALLA HAV, VA



WENDELL, BENTLEY & LOU, CHICAGO



LAUREL CREEK, TAMPA, FLORIDA

RESIDENTIAL APARTMENTS





EXAMPLES OF ALTERNATIVE SHARE INVESTMENTS THAT CAN BE ACQUIRED WHEN OFFERING VALUE AND HIGH DIVIDEND YIELD:

7. Banks and insurance companies are presently offering incredible value and high yield due to the US subprime crisis.
 - 7.1 Various infrastructure companies that own ports, airports, oil pipelines, railroads, toll roads.
 - 7.2 The reality is that **at anytime** in the global marketplace we can buy an asset that is offering value with a sustainable high cash dividend yield.
 - 7.3 Currently there are many investments that are offering a higher dividend yield than normal due to the current US subprime crisis resulting in an incredible window of opportunity **right now!!**



TYPES OF PORTFOLIOS OFFERED:

8. A normal cash yielding portfolio

This is where clients receive a cash return in the form of dividends and also capital appreciation over time.

8.1 A Self Funding Leveraged portfolio (SFL)

This is where the shares are borrowed against using a margin loan. Most of the dividend will be used to service the margin loan.

The main aim is to use the extra capital exposure to make more money over time.

FEE STRUCTURE



9. MANAGEMENT FEES

S.I.S has a very competitive fee structure that ensures that a client will always earn positive cash flow per annum from their investment and our emphasis is on protecting client funds at all times.

Normal unleveraged portfolios	3.00%	once off calculated on the equity invested)
For SFL portfolios	3.50%	once off calculated on the equity invested)
Annual fee charged monthly	1.00% pa	(based on the market value of the portfolio including cash balances)

All fees are based on the Rand equivalent of the market value of the portfolio and are paid locally out of client funds. This means that client's externalized funds are not reduced.

If the market value of the portfolio reduces then the monthly fees reduce accordingly.

Example of the fees levied on a normal unleveraged portfolio:

Initial Investment value	35 000	GBP
Initial Fee (3.00%)	1050	GBP (Subject to minimum of 250 pounds)
Annual fee charged monthly (1.00%)	29	GBP (Subject to minimum of 24 pounds)



FEE STRUCTURE (continued)

9.1 TRADING PLATFORM FEES

In order to access overseas markets we need to use the trading platforms of reputable international stockbrokers.

They may charge us the following:

Brokerage per trade:	(0.5% - 1.5%) varies from broker to broker
Safe custody fees:	varies from broker to broker (can be nil)

The safe custody charge will be a small annual fee (if any) for physically holding the shares. The brokerage charge will be incurred on the sale and purchase of shares. S.I.S. does not intend to trade that often after the initial portfolio has been set up. So transactional fees will be kept to minimum.

S.I.S. doesn't receive any incentive fees "to churn" a client's portfolio.

SECURITY OF CLIENT FUNDS



10. S.I.S. does not hold client funds but merely manages them in terms of a written client agreement. All client funds are held with reputable international stockbrokers. S.I.S. cannot physically access client funds as any funds remitted by the broker will be paid into a bank account in the client's name.
- 10.1 Stock broking establishments do not as a rule make payments to 3rd parties so your funds are secure.

CONTROL OF FUNDS

11. In terms of S.I.S.'s client agreement all transactions are approved in writing by clients before any transactions are executed.

TAXATION

12. Foreign Taxes: Dividends are subject to withholding taxes levied on non resident shareholders. This tax is allowed as a foreign tax credit by SARS in terms of the current tax legislation.
- 12.1 Local SA Taxes: Dividends will be taxed at the individuals marginal tax rate and capital gains will be taxed on realization of the gains.

QUESTIONS?



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For helpful advice or more information please contact

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Potential clients are also encouraged to visit the S.I.S. website.

www.shareinvestment.co.za