



Enhanced Dividend Securities

Double your dividends



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Enhanced Dividend Securities (EDS) are an innovative new investment, available exclusively from Investec.

EDS afford investors exposure to the dividends and price movements of a share for a fraction of the cost of a share. Since EDS cost you less, the dividend yield is significantly increased and your share price exposure is moderately geared. Investec EDS will be listed on the JSE Securities Exchange (JSE) and can be purchased through any stockbroker.

Key benefits

- Choose from a wide selection of underlying shares
- Pay a fraction of the share price upfront
- Receive an enhanced dividend yield
- Leverage your exposure to share price movements
- Limit your exposure to the downside
- Traded on the JSE
- Liquidity provided by Investec
- Potential tax benefits

Who should invest in Investec EDS?

- **Yield investors** outlay a fraction of the share price but receive the same dividends, therefore significantly increasing their yield
- **Share investors** who have a strong view on an underlying share may use EDS as a convenient form of leveraging their upside exposure
- **Warrant traders** may use EDS to take a longer-term view and receive dividends
- **Existing shareholders** can switch into EDS, free up cash, continue to receive the same dividends and continue to participate in share appreciation

How do EDS work?

Investec EDS are a listed share-linked investment that trades on the JSE. You can buy them through a stockbroker just like an ordinary share. The JSE coding for Investec's EDS products is as follows: ABCIDA, where "ABC" is the underlying JSE share code, "ID" relates to it being an Investec Dividend security, and "A" indicates the first in a series of EDS relating to that share (the next tranche listed over the company "ABC" will be "B" etc). You pay a fraction of the share price now and over the life of the EDS you:

- Have exposure to movements in the price of an underlying share
- Receive the tax exempt dividends of the underlying share
- Can choose to exercise (convert) your EDS into physical shares
- Can sell your EDS at any time on the JSE

- Cannot be asked to pay any more money if the price of the share moves down

Investec's unique "stop loss" feature is designed to protect you if the underlying share falls significantly. In the event that the stop loss is triggered, your EDS terminate immediately and you are entitled to a cash rebate.

What happens at maturity?

Each series of EDS will have its own expiration date. At the close of business on this date, the EDS series will mature. As the holder of the EDS on this date, you may elect one of the following 3 alternatives:

- You can "roll over" your investment by selling your existing EDS and buying into a new series of EDS
- You can exercise your EDS for physical shares by having your broker notify Investec of your intentions before the close of business on the expiration date
- You do nothing and the EDS will automatically exercise for cash settlement. Instead of receiving physical shares, you will receive a cash settlement amount equal to the difference between the share price and the exercise price

Dividend payments

Holders of EDS are entitled to the same dividends that would normally accrue to holders of the underlying share. The last date to trade, the ex-dividend date and the dividend payment date of EDS are identical to those of the underlying share. To be entitled to the next dividend payment, you must purchase the EDS before the close of business on the last date to trade. STRATE, the electronic settlement system of the JSE, will ensure that all dividend payments are paid directly from the issuer of the underlying share into your account held with your CSDP.

Scrip dividends, special dividends and other accruals declared by the underlying company may be dealt with differently to that of ordinary cash dividends.

Under current South African tax legislation, cash dividend receipts are tax exempt in the hands of individuals.

Enhanced dividend yields

Since EDS cost less than the underlying share but pay the same dividends, they offer a substantially higher dividend yield.

Example:

Company ABC share price	R190.00
Expected dividends for the 12-month period	R9.00
Expected dividend yield	4.74%
	(R9.00 / R190.00)



Company ABC EDS price (ABCIDA)	R104.50
Expected dividends for the 12-month period	R9.00
Expected dividend yield	8.61%
	(R9.00 / R104.50)

Share price exposure

Investec EDS directly track the performance of an underlying share. This means that the price of the EDS will move up and down with the price of the underlying share, all other things being equal. Since EDS cost less than the price of the underlying share, you are moderately geared to movements in the share price.

Example	
ABC share price	R190.00
ABC EDS price (ABCIDA)	R104.50
ABC share price increase to	R210.00
ABC EDS price increases to	R124.50
Percentage increase in the ABC share price	10.53%
Percentage increase in the ABC EDS share price	19.14%

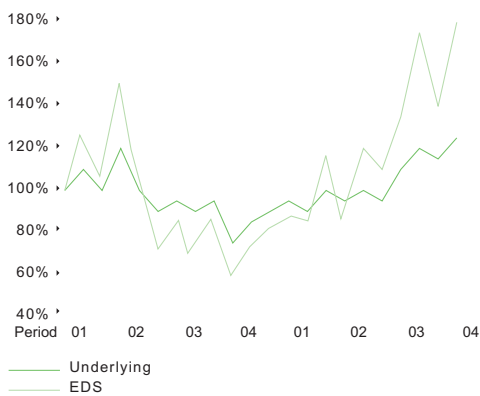


Fig 1 This chart illustrates that for movements in the share price, the EDS price will show greater price movement as a percentage of capital invested.

Note that there is no guarantee that the price of the EDS will move exactly with the price of the underlying share. Other factors, including interest rates, time to maturity, and the level of the stop loss, will influence the price of the EDS.

Unique stop loss feature

An added benefit that differentiates Investec EDS from other "Share installment" type products available in the market, is the unique stop loss feature. Investec affords the investor an

effective protection feature with the inclusion of a stop loss that is placed above the exercise price. If the share price falls substantially and the stop loss is triggered, the EDS will terminate immediately and you will be entitled to a cash rebate of any intrinsic value. In this way, the stop loss feature aims to limit your potential losses, and also allows Investec to make the EDS pricing more competitive relative to similar share installment products.

The cash rebate will be equal to the excess (if any) of the share price over the exercise price when the EDS terminate. The share price used for the calculation will be the arithmetic average of the daily volume weighted average share price for the two days following the termination date.

Example of stop loss	
ABC share price	R190.00
ABC EDS purchase price	R104.50
Exercise price	R95.00
Stop loss level	R142.50
Two months later	
Share price drops to	R142.50
Stop loss is triggered	
Two day VWAP	R142.00
Cash rebate	R47.00 (R142.00 - R95.00)

Exercising physical shares

By exercising your EDS, you are paying an additional amount and converting your EDS into physical shares. The additional amount you must pay is the exercise price that is fixed by Investec on the issue date. You are free to exercise your EDS at any time up to the close of business on the expiration date.

To exercise your EDS, you must inform Investec of your intention by having your stockbroker send a duly completed exercise notice to the Investec Equity Derivatives desk. Investec must receive this notice by the close of business on the expiration date. Once received, your stockbroker will arrange for the transfer of the physical shares in return for the payment of the cash exercise price.

Your instruction to exercise on a particular day will still be valid even if the stop loss is triggered, provided that your stockbroker has sent a duly completed exercise notice to the Investec Equity Derivatives desk by 5pm (JHB time). If no exercise notice is received, your EDS will terminate and you will be entitled to a cash rebate.



How to participate

Since Investec EDS are listed on the JSE, you can buy and sell them freely through your stockbroker. To maintain the liquidity of the market, Investec will provide buy and sell quotations for all Investec EDS.

Risks

The value at which Investec EDS can be bought or sold on the JSE depends on such factors as the exercise price, stop loss level, underlying share price, expiration date, interest rates, and other factors and general risks that are applicable to stock markets.

It should be noted that Investec EDS may become significantly less valuable during their currency and, in certain circumstances, lapse automatically or expire worthless.

Dividends paid, if any, are at the discretion of the underlying company and cannot be assured by Investec. Copies of the master listing document and plus supplementary listing documents containing financial and other information on Investec and the EDS are available at www.investecwarrants.com or at the JSE.

Taxation considerations

Investec does not provide tax advice or guarantee how an investment will be treated for tax purposes. The taxation profile of each investor is different and it is advisable that each potential investor should seek independent tax advice.

Investec has obtained an opinion from senior counsel to the effect that the dividends paid by the EDS are exempt income in terms of the act. This is only an opinion on the application of taxation law and is in no way expressly or implied a guarantee or endorsement of the commercial viability of Investec EDS, or of the soundness or otherwise of Investec EDS as an investment.

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