



# RMB Equity Notes



Capstone manages two equity note structures through Rand Merchant Bank that cater for specific investment styles in the management of shares on the JSE. We refer to them as the RMB notes and they enable investors to combine the benefits of a share portfolio and a unit trust that may be geared up or hedged so that the downside risk is minimised.

The management of the equity note is similar to that of a unit trust from a tax perspective in that capital gains and losses from the trading of shares is not allocated to the investor until the investor sells their investment into the note. This is useful for both investment manager and investor as the manager does not have to concern himself with the generation of capital gain and the investor can control when the capital gain should be incurred through timing the sale of their investment itself.

**Capital Guarantees - It is possible to structure a capital guarantee on the investment to suit your investment needs.** This option is available to investors who invest R1 million or more and is designed to reduce the downside risk over time. There is an additional annual fee to fund the cost of the facility.

**Leverage - It is possible to leverage or “gear” up your investment by 0.1x to 1.0x whereby RMB will facilitate a loan from Firststrand** that will be added into the portfolio to enhance returns. Investors understand that the use of gearing in the portfolio increases the risk within the portfolio and that it may happen that the investor may lose more than the geared amount invested at any point in time.

This service applies to investments in excess of R1 million and are structured individually per investor at an additional annual fee of 0.65% [VAT exclusive]. Interest on leveraged monies is charged at FNB's prime lending rate.

**(Speak to your financial advisor about capital guarantees or gearing on the underlying portfolio).**

## THE DIVIDEND ARISTOCRATS PORTFOLIO

The Capstone Dividend Aristocrats Growth Portfolio is a long term growth investment strategy that mirrors the S&P Dividend Aristocrats Index for South Africa. The portfolio is made up of companies that are ranked by dividends and have been able to consistently equal or grow their dividends over the last 5 years with an additional filter for liquidity.

In essence the index captures companies that are able to grow earnings and pay dividends to shareholders over time. The portfolio is passively managed and re balanced every six months.

*The model is suitable for an investor who is looking for long term capital growth in companies paying growing dividend income in the South African market.*

Portfolio Management	Wayne Smith,CFA,CFP
Launch Date	April 2014
Minimum Investment	R250 000
Annual Management Fees	0.75% of NAV (VAT exclusive)
Advisory Fees (when applicable)	0.5% of NAV (VAT exclusive)
RMB Admin Fees	0.65% Gearing strategy: 0.65% Guarantee strategy 1.25% (VAT exclusive) Calculated on NAV annually in arrears
Gearing	Between 0.1x and 1.0x gearing (to be confirmed by RMB on application) funded at FNB prime rate
Performance Fees	20% of outperformance of the benchmark, annually in arrears
Benchmark	JSE DIVI PLUS INDEX J259T
Liquidity	5 - 10 working days subject to underlying securities
Investment horizon	5 years plus
Reporting and transparency	Monthly performance reporting
Risk Profile	Aggressive





## THE DEEP VALUE PORTFOLIO

**The Capstone Deep Value Portfolio is a long term growth investment strategy** that seeks to invest into mis priced investment opportunities on the JSE. The portfolio is made up of companies that at the time of purchase are trading at a deep discount to their long term value and where the potential upside warrants holding the position until the value is unlocked.

**The portfolio is actively managed.**

*The portfolio is actively managed and is suitable for an investor who is comfortable owning shares that are bought when they show value that will probably unlock over time with above average investment returns.*

Portfolio Management	Wayne Smith,CFA,CFP
Launch Date	10 December 2015
Minimum Investment	R250 000
Annual Management Fees	0.75% of NAV (VAT exclusive)
Advisory Fees (when applicable)	0.5% of NAV (VAT exclusive)
RMB Admin Fees	0.65% Gearing strategy - 0.65% Guarantee strategy - 1.25% (VAT exclusive) Calculated on NAV annually in arrears
Gearing	Between 0.1x and 1.0x gearing (to be confirmed by RMB on application) funded at FNB prime rate
Performance Fees	20% of outperformance of the benchmark, annually in arrears
Benchmark	JSE Equally Weighted All Share Index J303T
Liquidity	5 - 10 working days subject to underlying securities
Investment horizon	5 years plus
Reporting and transparency	Quarterly performance reporting
Risk Profile	Aggressive



**CAPSTONE WEALTH MANAGERS**

### Investment Structure and Disclaimer

The Capstone Deep Value Equity Note is offered to investors through an RMB Equity Linked Note, an arrangement with Rand Merchant Bank, a division of Firststrand Bank Limited. Investors rights to repayment of the investment would constitute a claim against Firststrand Bank Limited and as such would rank pari passu (concurrently) with depositors and other creditors ranking pari passu within the bank.

Investors are alerted to the fact that neither Capstone, Firststrand Bank Limited or any of its officers, management or staff offer any guarantees, sureties or any other assurance as to the performance of the investment in any way whatsoever. Investors attention is drawn to the fact that the underlying investments are risky in nature and as such there is a chance of a capital loss as well as capital gain. Investors are also alerted to the fact that past performance information serves as a guide to investors and in no way implies future performance. For more information please contact us on 011 477 0062.

Capstone 293 (Pty) Ltd is an authorised financial services provider. FSP number 5712.