



## Physical Delivery & Exit Fee Information Sheet

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Dear Investor,

The following information is intended to provide some insight to investors interested in taking physical delivery of their gold bullion held with SA Bullion. It also describes the calculation of the exit fee that may be levied in the event of clients wishing to take physical delivery of their bullion within 2 years from the investment entry date.

### SA Bullion & Core Business – Providing an investment service that attends to the BUYING / HOLDING / SELLING of gold bullion

SA Bullion provides an investment service to clients wishing to acquire newly minted Gold Bullion Krugerrands at the lowest price available worldwide. In addition, once bullion is acquired, clients are assured that their holdings are vaulted and insured in their title at economical costs. Finally, due to SA Bullion's guaranteed buyback arrangement with the SA Reserve Bank, clients enjoy perfect liquidity at the full gold price when they elect to redeem gold bullion for cash.

These arrangements are made possible through a special dispensation in respect of Krugerrand supply and buyback, granted to SA Bullion by the SA Reserve Bank.

### The Physical Delivery of Gold Bullion

All Gold Bullion held in the vault at Rand Refinery is owned by the client outright. Clients may elect to take physical delivery of their gold bullion. Clients are advised to consider the following risks when considering the option of physical delivery:

- i) **Insurance**  
As an investment asset that is highly valuable, prudence would dictate that gold bullion holdings are insured against theft. Short term insurers typically charge 2-3%pa on the market value of gold holdings as a risk premium for insurance.
- ii) **Liquidity** - SA Bullion guarantees its clients perfect liquidity in the event they choose to redeem some or all of their Gold holdings for cash. This is done through our sale redemption arrangement with the SA Reserve Bank. Clients receive the full Gold Price per ounce without any charges within 96 hours. Clients that elect to take physical delivery will however confront liquidity issues should they wish to sell their Gold. Typically, they would be tasked to find a willing buyer, or eventually elect to sell to a coin dealer at a variable discount to the actual gold price (usually 10%), depending on market conditions.



iii) Risk - Personal possession of Gold Bullion presents a Hazard to South African investors

By virtue of these facts, the ongoing investment management arrangements provided by SA Bullion is the most economical and secure means to acquire and hold physical gold bullion, while enjoying the benefit of perfect liquidity.

SA Bullion charges an ongoing investment management fee of 2%pa (ex. VAT) in respect of its services.

### The Exit Fee

In the event a client wishes to take delivery of gold bullion within 2 years from investment entry date, then SA Bullion reserves the right to charge an exit fee. This charge may not exceed the amount of fees that would normally accrue to SA Bullion over a 2 year term in respect of gold held within the facility. Clients who elect to take physical delivery after 2 years may do so without any charge.

Illustration: Client X acquired gold bullion within The BullionGold Facility at a price of R15000.

Ongoing fee estimate =  $R15000 * 2.28\% = R342\text{pa}$  or R28.50pm

Client X has held the gold bullion for 1yr and has thus paid R342 in fees.

Client X now requests physical delivery.

Exit Charge: Had the client elected immediate delivery the exit charge would be  $R15000 * 4\% = R600$

Exit Fee Formula: Exit Fee Payable [R600] less any fees paid to date [R342]

Exit fee Estimate:  $R600 - R342 = R258$

### Motivation of Exit Fee

SA Bullion holds a special dispensation of the SA Reserve Bank that enables the acquisition of Bullion Krugerrands directly from Rand Refinery (the manufacturer) at a price that is at a discount to the retail market.

This concession was allowed by the SA Reserve Bank to allow South Africans to invest in physical gold bullion, without paying the inflated costs that are found in the retail market for Krugerrands (the coin dealers).

Where the client elects to take physical delivery immediately following acquisition, they would in fact not be utilizing the investment management service provided by SA Bullion which confronts the associated costs of Gold Bullion ownership most economically and offers perfect liquidity on exit.

Instead clients, and coin dealers, would in fact be able to exploit SA Bullion's pricing arrangement to obtain gold bullion at prices unavailable in the retail market.

Were SA Bullion to be seen to be providing a retail service in gold bullion to clients, it would not be acting as an investment manager as mandated by the SA Reserve Bank, but in fact be acting in direct competition with retail coin dealers.

Due to the discounted pricing and guaranteed supply arrangements held between SA Bullion, the SA Reserve Bank and Rand Refinery Limited, this would be unfair on the retail sector for gold bullion and it would expose SA Bullion to possible exploitation by coin dealers owing to SA Bullion's pricing proposition.



For this reason, SA Bullion reserves the right to charge an exit fee to clients who utilize their facilities to acquire gold for immediate delivery (or within the prescribed 2 year minimum period), as they are in fact obtaining gold at wholesale prices when they should be interacting at a retail level if what they are in fact after is physical possession.

## Courier Charges & Delivery Quotation

Courier Charges related to the physical delivery of gold bullion in South Africa will be arranged by SA Bullion, via the precious cargo delivery division of RAM couriers. All courier charges are for the clients' account. SA Bullion will supply a detailed quotation reflecting both the exit fee (if applicable) as well as the courier charges for client approval.

## Concluding Remarks:

SA Bullion has worked with the Reserve Bank and the largest Gold Refinery in the world to provide the most economical investment proposition for acquiring, holding and liquidating physical gold. To this end, the investment service and pricing is targeted at the investment market and not the retail market.

Clients who wish to exercise their right to physical delivery are entitled to do so at any stage. However, these clients are urged to consider the risks and increased costs related to holding and selling of gold bullion in the open market.

Clients who opt for physical delivery after 2 years incur no exit fee. Clients that elect physical delivery prior to 2 years are expected to understand that by removing the assets from the investment management arrangements offered by SA Bullion, they may incur an exit fee, or a 'retail charge', and that this charge is necessary in order to prevent the exploitation of SA Bullion's supply and pricing arrangements in the retail market.

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