

# The BullionGold Facility

Case Study



# A FACILITY THAT ENABLES YOU TO BUY, STORE AND REDEEM PHYSICAL GOLD BULLION.

## **THE BASICS OF THE BULLIONGOLD FACILITY** **OVERVIEW**

SA Bullion is a specialist gold investment firm that promotes the one ounce Krugerrand as the most effective way for serious investors to invest in title owned physical gold.

Physical gold bullion is another form of cash and plays an important role in protecting your wealth against paper currency devaluation.

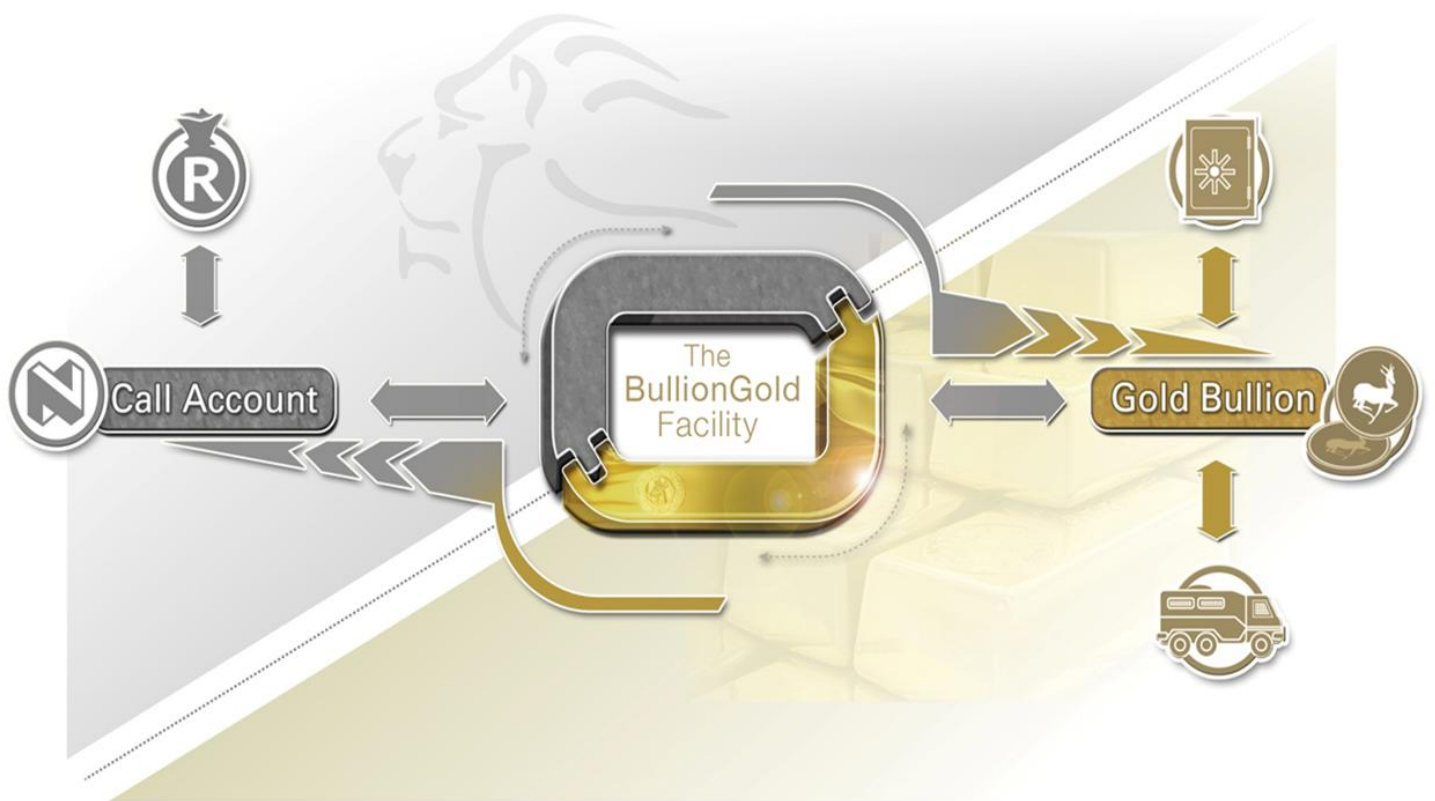
The BullionGold Facility enables you to convert your paper currency in order to buy, store and redeem physical gold bullion.

## **HOW IT WORKS**

The process is secure and complies with South African legislation.

1. Your BullionGold Facility is activated within 24 hrs of receipt of the required paperwork.
2. SA Bullion opens a Nedbank call account in your name with Nedbank Corporate Banking South Africa. You earn money market rates of interest on this account from day one.
3. You can make single investment contributions and may also make regular monthly contributions via debit order.
4. All contributions are immediately allocated to your title owned Nedbank call account.
5. Online viewing is enabled 24hrs a day with full transaction history for complete transparency.
6. As a BullionGold Facility holder, your gold bullion is purchased in the form of newly minted 1oz gold bullion Krugerrands.
7. Your gold is vaulted in your name at Rand Refinery Limited, the largest gold refinery in the world.
8. Your gold is comprehensively insured with Lloyds of London.
9. Deloitte, one of the top 5 international auditing firms conducts an annual audit of your gold holdings.
10. You enjoy 100% liquidity and may elect to sell your gold at any time and will receive the market value of your gold.
11. You are not exposed to counterparty or credit risk. You own your gold outright and there is no intermediating financial instrument such as a debenture, a trust or a policy.
12. Should you wish to take delivery of your gold, SA Bullion provides this service.

# THE BULLIONGOLD FACILITY - A GRAPHICAL ILLUSTRATION



# INITIAL INVESTMENT AND GOLD PURCHASE

## CALCULATIONS:

### DETERMINING THE GOLD PRICE IN RANDS

On the 02<sup>nd</sup> October 2008 the pricing information for all gold purchases from Rand Refinery Limited was:

Previous day's London PM Fix	USD 880.00
Rand / USD exchange rate	8.267
Rand gold price / oz	R 7,274.96

### DETERMINING THE KRUGERRAND PRICE

The refining and minting fee charged by Rand Refinery and SA Mint was levied as a percentage of the Rand gold price.

Rand Gold Price:	R 7,274.96
Refining and Minting fee %	4.00 %
Refining and Minting fee [R 7,274.96 x 4/100]	R 290.99
Price per 1oz Krugerrand [R 7,274.96 + R 290.99]	R 7,565.95

## SCENARIO:

On the 01st October 2008 Mr. Smith invested R 100,000.00 into gold via The BullionGold Facility. He made this investment through his financial advisor.

SA Bullion received the proof of investment and supporting documentation before 1pm on that day.

## ALLOCATION OF INITIAL INVESTMENT AND FEES

Before 5pm on the 01<sup>st</sup> October, SA Bullion allocated the full investment amount into Mr. Smith's Nedbank call account and then deducted the initial investment fees.

## GOLD PURCHASE

The remaining balance of R 94,300.00 purchased Mr. Smith's 1oz gold bullion Krugerrands on the 02<sup>nd</sup> October 2008.

Mr. Smith's newly minted bullion Krugerrands was vaulted on the 02nd October 2008.

## TRANSACTION DETAILS

Transaction:	Single Investment
Date:	01/10/2008
Client Name:	Mr. Smith
Investment:	R 100,000.00
SA Bullion initial fee:	1.71 % (including VAT)
Financial Advisor / Introducer initial fee:	3.99 % (including VAT)

The net investment amount of R 94,300.00 purchased 12 newly minted one ounce bullion Krugerrands at a total cost of [R7,565.95 x 12] R 90,791.40 leaving a remaining cash balance of R 3,508.60 in his Nedbank call account.

Mr. Smith's 12 bullion Krugerrands were vaulted in his name at Rand Refinery Limited and comprehensively insured with Lloyds of London.

## INVESTMENT REGISTER

Date	Description	Debit	Credit	Balance
01/10/2008	Initial Investment		100,000.00	100,000.00
01/10/2008	SA Bullion fee [1.71%]	1,710.00		98,290.00
01/10/2008	Financial advisor fee [3.99%]	3,990.00		94,300.00
02/10/2008	Gold Purchase	90,791.40		3,508.60



**SA BULLION**  
**THE GOLD BULLION KRUGERRAND**

# VAULTING INSURANCE & ADMINISTRATION

## CALCULATIONS:

### DETERMINING THE FEE CHARGED PER DAY

Mr. Smith's Administration Fee of 2.28% p.a. is calculated daily and billed monthly in arrears.

SA Bullion applies a rate of 2.28%/365 to the daily market value of the Investor's gold holdings using the London PM Fix of gold per ounce in USD converted to Rands.

London PM Fix [02/10/08]	USD 852.00
Rand / USD exchange rate	8.429
Rand gold price / oz	R 7,181.42

Mr. Smith's Administration Fee for the 02nd October 2008 was thus calculated as follows:

Market value of gold holdings  
[12oz X R 7,181.42] = R 86,177.04

Multiplied by the annual fee rate of 2.28%

Divided by 365 days

[R 86,177.04 x 2.28/100 x 1/365]

= R 5.38 [02/10/2008]

## SCENARIO:

Mr. Smith has invested with SA Bullion and his gold holdings are stored at Rand Refinery Limited. For this service Mr. Smith pays an Administration Fee of 2.28% (Vat incl.) per annum. His fees are settled via debit order from his own transactional bank account.

SA Bullion's Administration Fee is inclusive of a vaulting fee charged by Rand Refinery Limited and the insurance premium charged by Lloyds of London.

SA Bullion calculates the Administration Fee on a daily basis and billed Mr. Smith on the 01st November 2008 in respect of the administration fee due for the month of October 2008.

## TABLE OF FEES FOR OCTOBER 2008

02/10 R 5.38	12/10 R 6.26	22/10 R 6.44
03/10 R 5.32	13/10 R 5.70	23/10 R 6.08
04/10 R 5.32	14/10 R 5.69	24/10 R 6.01
05/10 R 5.32	15/10 R 6.88	25/10 R 6.01
06/10 R 5.81	16/10 R 6.24	26/10 R 6.01
07/10 R 5.94	17/10 R 5.93	27/10 R 6.05
08/10 R 6.23	18/10 R 5.93	28/10 R 6.07
09/10 R 6.19	19/10 R 5.93	29/10 R 5.72
10/10 R 6.26	20/10 R 6.02	30/10 R 5.68
11/10 R 6.26	21/10 R 7.99	31/10 R 5.64

## DEBIT ORDER COLLECTION

The total Administration Fee for the month of October 2008 was R 180.49.

This amount was collected via debit order, allocated to Mr. Smith's Nedbank call account and paid to SA Bullion.

## INVESTMENT REGISTER

Date	Description	Debit	Credit	Balance
01/10/2008	Initial Investment		100,000.00	100,000.00
01/10/2008	SA Bullion fee [1.71%]	1,710.00		98,290.00
01/10/2008	Financial advisor fee [3.99%]	3,990.00		94,300.00
02/10/2008	Gold Purchase	90,791.40		3,508.60
01/11/2008	Collection via Debit Order (admin fee)		180.49	3,689.09
10/11/2008	SA Bullion admin fee [2.28%] p.a.	180.49		3,508.60

# REDEEMING GOLD FOR CASH

## CALCULATIONS:

### DETERMINING THE REDEMPTION PRICE

Mr. Smith's 3 ounces of bullion Krugerrands are sold to the South African Reserve Bank. The Market value of Mr. Smith's gold is calculated as detailed below.

USD gold price / oz [18/02/08]	USD 964.00
Rand / USD exchange rate	10.15
Official Rand gold price / oz	R 9,785.56

Mr. Smith's Redemption Value R 29,365.68  
 [3oz x R 9,785.56]

Mr. Smith receives the full official price as paid by the South African Reserve Bank.

## SCENARIO:

On the 18th February 2009 Mr. Smith elected to redeem 3 ounces of his gold bullion Krugerrands.

On receiving Mr. Smith's cash redemption instruction, SA Bullion processed Mr. Smith's redemption in the following manner:

## TRANSACTION DETAILS

Transaction:	Gold Redemption
Date:	18/02/2009
Client Name:	Mr. Smith
Gold Redemption:	3 ounces
Redemption Value:	R 29,365.68
SA Bullion fee:	no fee charged
Financial Advisor / Introducer fee:	no fee charged

## GOLD REDEMPTION FOR CASH

Mr. Smith receives the full proceeds from the sale of his gold bullion Krugerrands to the South African Reserve Bank.

SA Bullion facilitates this transaction on behalf of the client. SA Bullion does not charge a fee for this service. The client receives the full market value of his bullion Krugerrands.

## ALLOCATION OF REDEMPTION PROCEEDS

The full proceeds of R 29,365.68 was allocated to Mr. Smith's Nedbank call account and then paid into his nominated bank account as indicated on the redemption form.

## INVESTMENT REGISTER

Date	Description	Debit	Credit	Balance
01/10/2008	Initial Investment		100,000.00	100,000.00
01/10/2008	SA Bullion fee [1.71%]	1,710.00		98,290.00
01/10/2008	Financial advisor fee [3.99%]	3,990.00		94,300.00
02/10/2008	Gold Purchase	90,791.40		3,508.60
01/11/2008	Collection via Debit Order (admin fee)		180.49	3,689.09
10/11/2008...	SA Bullion admin fee [2.28%] p.a.	180.49		3,508.60
19/02/2009	Gold Redemption		29,365.68	32,874.28
19/02/2009	Payment to Mr. Smith	29,365.68		3,508.60

# REDEEMING GOLD VIA PHYSICAL DELIVERY

## CALCULATIONS:

### DETERMINING THE EARLY EXIT FEE

The Early Exit Fee is subject to a maximum of 3 years administration fees. SA Bullion will deduct/offset the number of days of fees paid up to the date of physical delivery when calculating the Early Exit Fee.

Gold Purchase date	01/10/2008
Physical gold redemption date	01/09/2009
No. of days fees paid	334 days
3-year Early Exit Fee [no. of days]	1095 days
Remaining days subject to Early Exit Fee [1095 days - 334 days]	761 days

Calculation of Early Exit Fee  
 [Market value of gold x no. of days subject to Early Exit Fee x SA Bullion's Administration Fee]  
 [R 37,118.45 x 761 days x 2.28%/365]  
 = R 1,760.30

SA Bullion Early Exit Fee:	R 1,760.30
Courier and Insurance Fee: [Rate available on request]	R 556.75

## SCENARIO:

On the 01st September 2009, Mr. Smith elected to take 5 of his bullion Krugerrands into his custody. Mr. Smith was aware that a physical gold redemption within 3 years from date of acquisition is subject to an Early Exit Fee charged by SA Bullion.

Note: After the 3 year period has passed SA Bullion does not charge a fee in respect of physical gold redemptions. All courier fees and insurance cost are for the client's account. SA Bullion collects the fee on behalf of the courier company from the investor and in turn settles the charges with the courier company.

On receipt of Mr. Smith's physical delivery redemption instruction SA Bullion processed Mr. Smith's request in the following manner.

## TRANSACTION DETAILS

Transaction:	Physical gold Redemption
Date:	01/09/2009
Client Name:	Mr. Smith
Gold Redemption:	5 ounces
ZAR price / Oz:	R 7,423.69
Market Value [01/09/09]	R 37,118.45
SA Bullion fee:	see calculation
Financial Advisor / Introducer fee:	no fee charged

## COLLECTION OF FEES

SA Bullion recovers the Early Exit Fee and courier fee from the Client's Nedbank call account.

## DELIVERY OF GOLD

Mr. Smith's gold was delivered to his nominated address subject to identity verification requested at time of delivery.

## INVESTMENT REGISTER

Date	Description	Debit	Credit	Balance
01/10/2008	Initial Investment		100,000.00	100,000.00
01/10/2008	SA Bullion fee [1.71%]	1,710.00		98,290.00
01/10/2008	Financial advisor fee [3.99%]	3,990.00		94,300.00
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10/11/2008...	SA Bullion admin fee [2.28%] p.a.	180.49		3,508.60
19/02/2009	Gold Redemption		29,365.68	32,874.28
19/02/2009...	Payment to Mr. Smith	29,365.68		3,508.60
01/09/2009	Physical Redemption Early Exit Fee	1,760.30		1,748.30
01/09/2009	RAM Courier fee	556.75		1,191.55

# HOW TO OPEN YOUR BULLIONGOLD FACILITY

## **MINIMUM INVESTMENT DETAILS**

Initial Single Investment/s:	no minimum
Additional Single Investment/s:	no minimum
Recurring Monthly Debit Order:	R 500.00 per month

Note: All debit orders are collected on the 01st business day of each month.

## **3 STEP APPLICATION PROCESS**

You may invest with SA Bullion directly or through intermediation of your financial advisor.

1. Download the application form from [www.sabullion.co.za](http://www.sabullion.co.za).
2. Download the checklist of supporting documents.
3. Complete, sign and return the application form together with the required supporting documents to SA Bullion Investor services.

By email: [business@sabullion.co.za](mailto:business@sabullion.co.za)  
By fax: 086 504 7857

Your BullionGold Facility will be activated within 24 hrs of receipt of the required paperwork. SA Bullion will send you a confirmation notification by email and/or post.

Should you require any assistance or support kindly contact the customer contact center at + 27 (21) 447 3240.

Invest in physical gold. The definitive global currency.



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