

State of the Exchange Traded Product (ETP) Industry in Africa



**Address to
AFRICA ETF
INVESTMENT CONFERENCE 2023
29 March 2023**

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Managing Director
etfSA.co.za**



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North

Agenda

- Exchange Traded Products (ETPs) listed on African Stock Exchanges.
- Why ETPs for African Stock Exchanges?
- What can African Stock Exchanges do to promote ETPs?

West



East



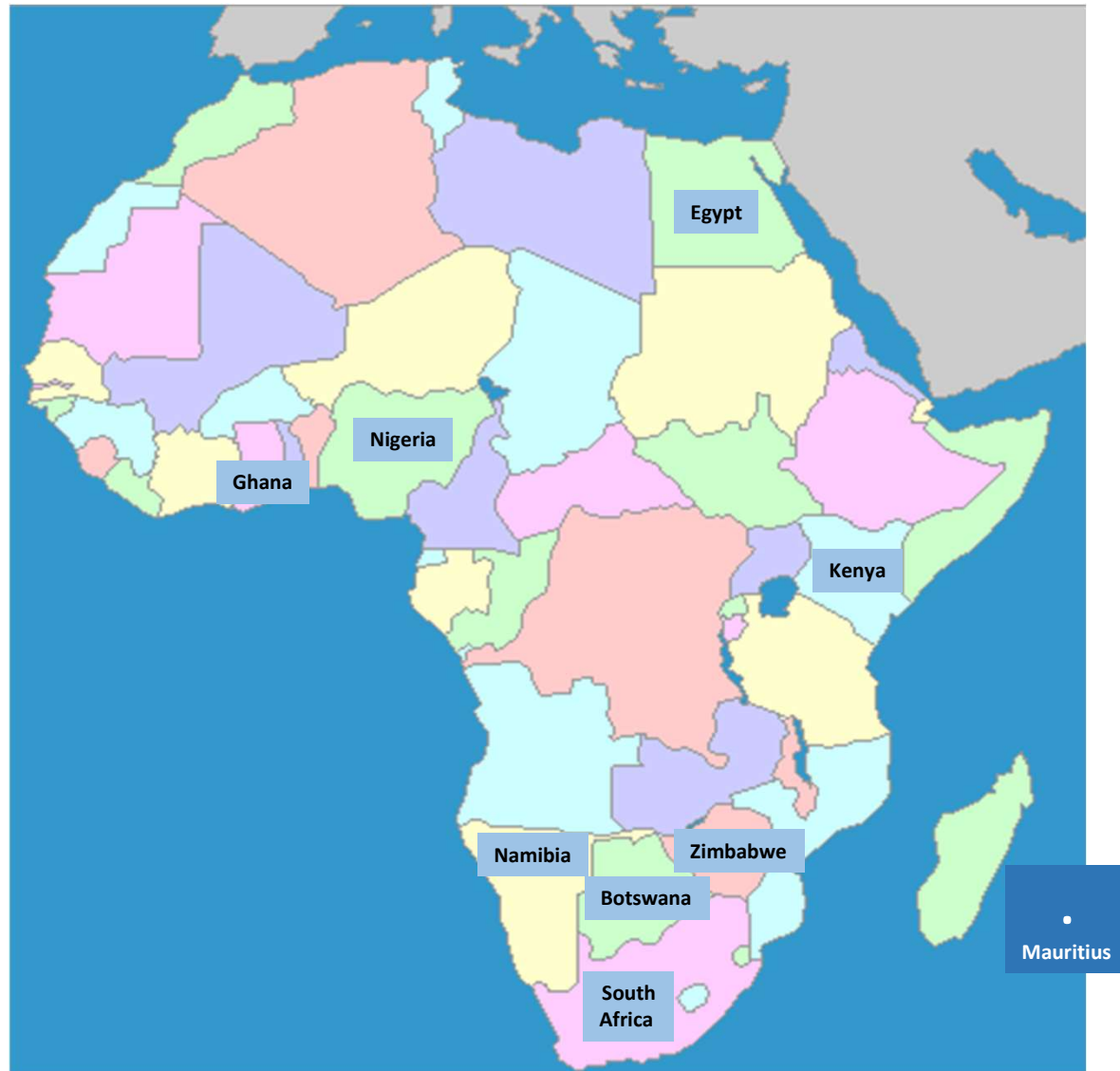
South

AFRICA



AFRICA:

**Nations which
list ETFs/ETPs
on their
Stock
Exchanges**

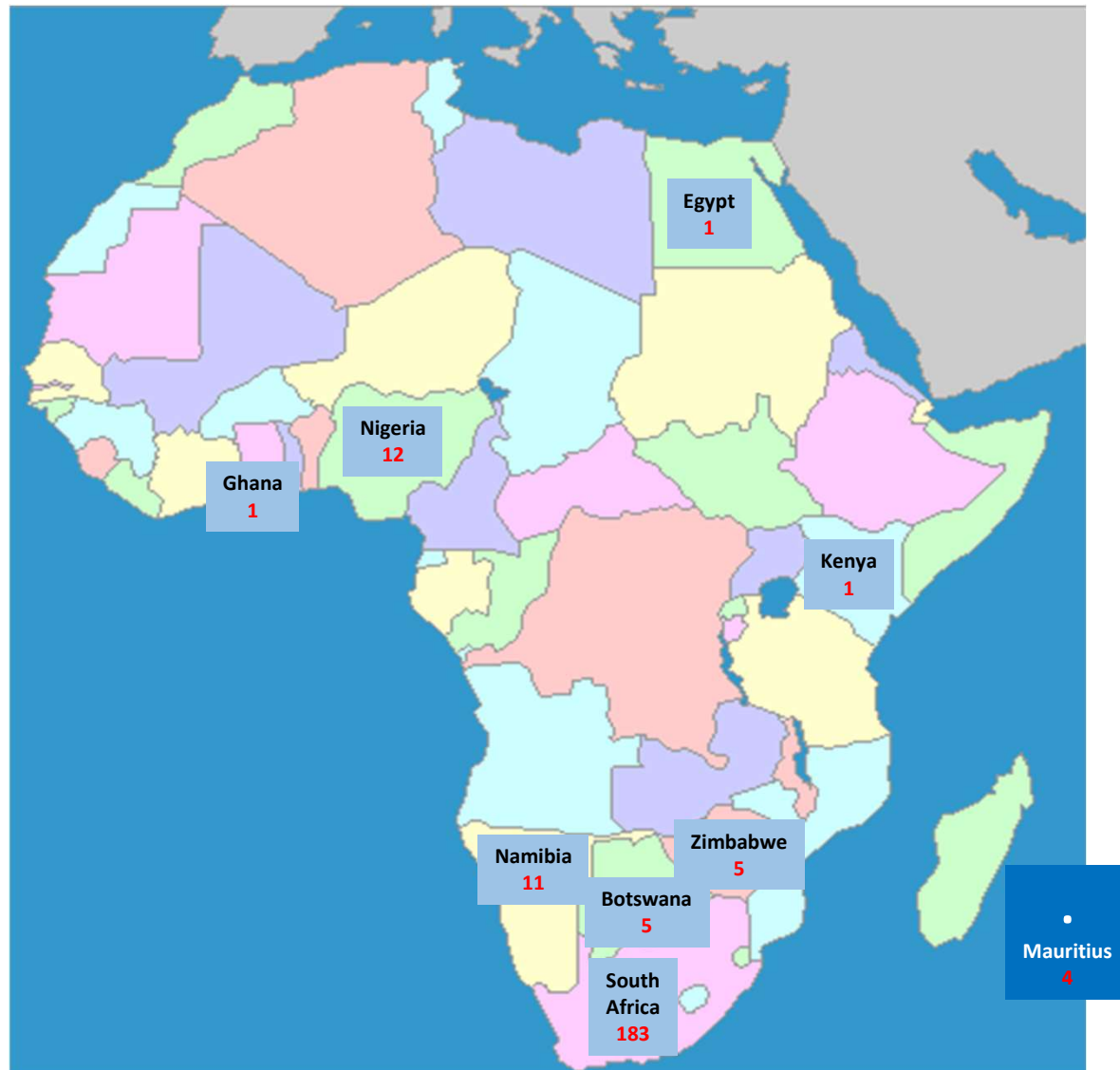


AFRICA:

Number of ETPs Listed – per African nation

Total = 223

(details in Table 1 and Appendix A)



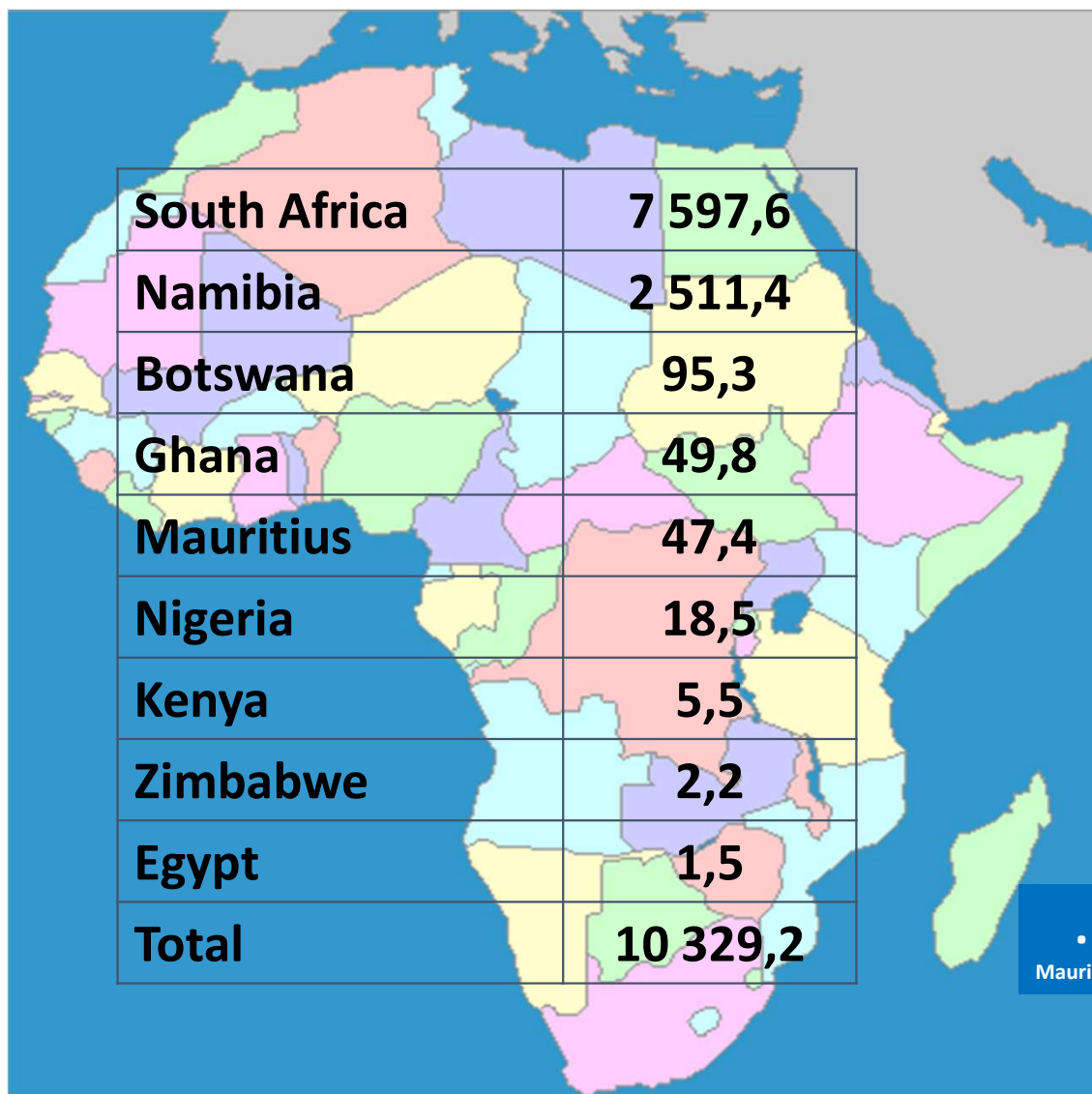
Africa – Listed Exchange Traded Products (ETPs)

		Number of Products				
	Exchange	ETFs	ETNs	Commodity	AMCs	Total
1.	Johannesburg Stock Exchange (JSE)	87	62	12	22	183
2.	Nigeria Stock Exchange (NGX)	11	-	1	-	12
3.	Namibia Stock Exchange (NSE)	5	-	6	-	11
4.	Zimbabwe Stock Exchange (ZSE)	5	-	-	-	5
5.	Botswana Stock Exchange (BSE)	2	-	3	-	5
6.	Mauritius Stock Exchange (SEM)	3	-	1	-	4
7.	Ghana Stock Exchange (GSE)		-	1	-	1
8.	The Egyptian Exchange (EGX)	1	-	-	-	1
9.	Kenya Stock Exchange (NSE)	-	-	1	-	1
Totals		114	62	25	22	223
Source	<i>etfSA.co.za</i> <i>Various Stock Exchange websites (as at 31/12/2022).</i>					

AFRICA:

Value of ETPs listed on African Stock Exchanges

(US\$ millions)



Why ETPs for African Stock Exchanges?



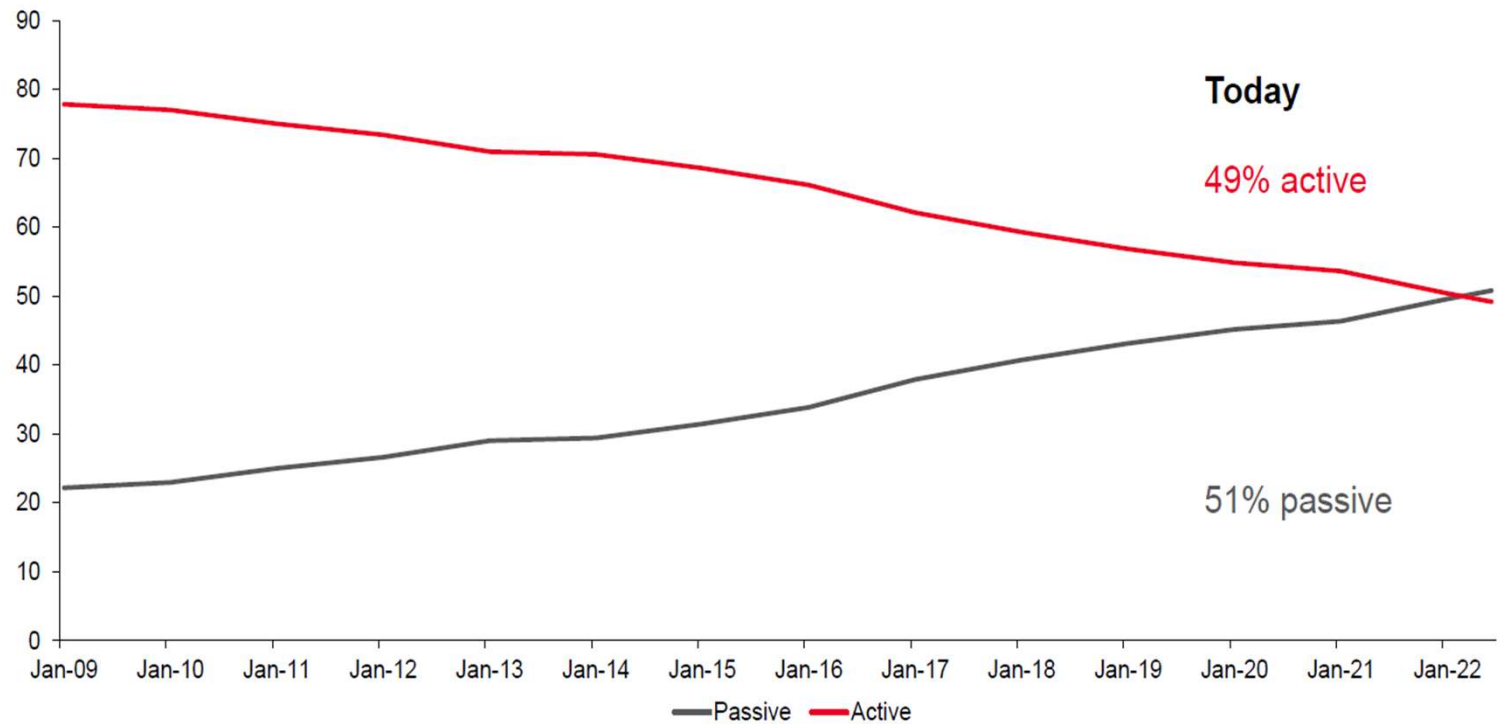
- **Benefits of exchange listing**
 - Regulation.
 - Centralised electronic registration and custodian systems.
 - Transparent pricing and liquidity
 - Market making.
 - Typical conformity to global ETP structures and standards.

Why ETPs for African Stock Exchanges?

(continued)

- **Passive investment products are gaining momentum**

**Active versus Passive Market Share in the US
(Jan 2009 to Jan 2022)**



Source: BofA

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Passive vs Active Scorecard

Percentage of Equity Funds Underperforming Their Benchmarks

Fund Category	Comparison Index	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
US Funds							
All large cap US funds	S&P 500	51,08%	78,69%	88,01%	93,14%	93,95%	92,14%
All midcap US funds	S&P MidCap 400	62,60%	77,97%	64,78%	81,51%	93,22%	94,04%
All small cap US funds	S&P Small Cap 600	56,91%	66,92%	70,54%	89,11%	94,35%	93,67%
Large cap US value funds	S&P 500 Value	58,70%	39,64%	69,02%	84,90%	79,13%	86,51%
Global Funds							
Global funds	S&P Global 1200	69,06%	83,77%	82,98%	89,13%	88,98%	88,50%
Emerging market funds	S&P/IFCI Composite	75,79%	74,50%	78,60%	85,25%	89,66%	97,01%
South Africa							
SA domestic equity*	S&P South Africa 50	58,10%	65,50%	84,60%	88,20%	-	-

Source: S&P SPIVA Reports (S&P Indices versus Active) (December 2022).

* SA June 2022.



Why ETPs for African Stock Exchanges?

(continued)

■ Local benchmark indices

- Measure the overall market returns
- Allocate exposure in the index to “weighted returns” based on size, liquidity, free float, etc.
- Being part of the index can reward local listed companies.

Benchmarks can be accurately tracked by ETPs



Why ETPs for African Stock Exchanges?

(continued)

■ Encourage retail investors

- Concept of investing in an index can be easily understood as it:
 - Gives ownership
 - Provides diversification
 - Reduces risk.
- Being listed on an exchange promotes confidence, safety and protection by regulation.





What Can Stock Exchanges Do To Promote ETPs?



■ Exchange Rules and Regulations

- Make rule changes to accommodate all ETPs, also allowing ETNs, AMCs and other asset backed securities.
- Publicise the protection and safety provided to investors by a centralized electronic register and custodian system.



What Can Stock Exchanges Do To Promote ETPs?

(continued)

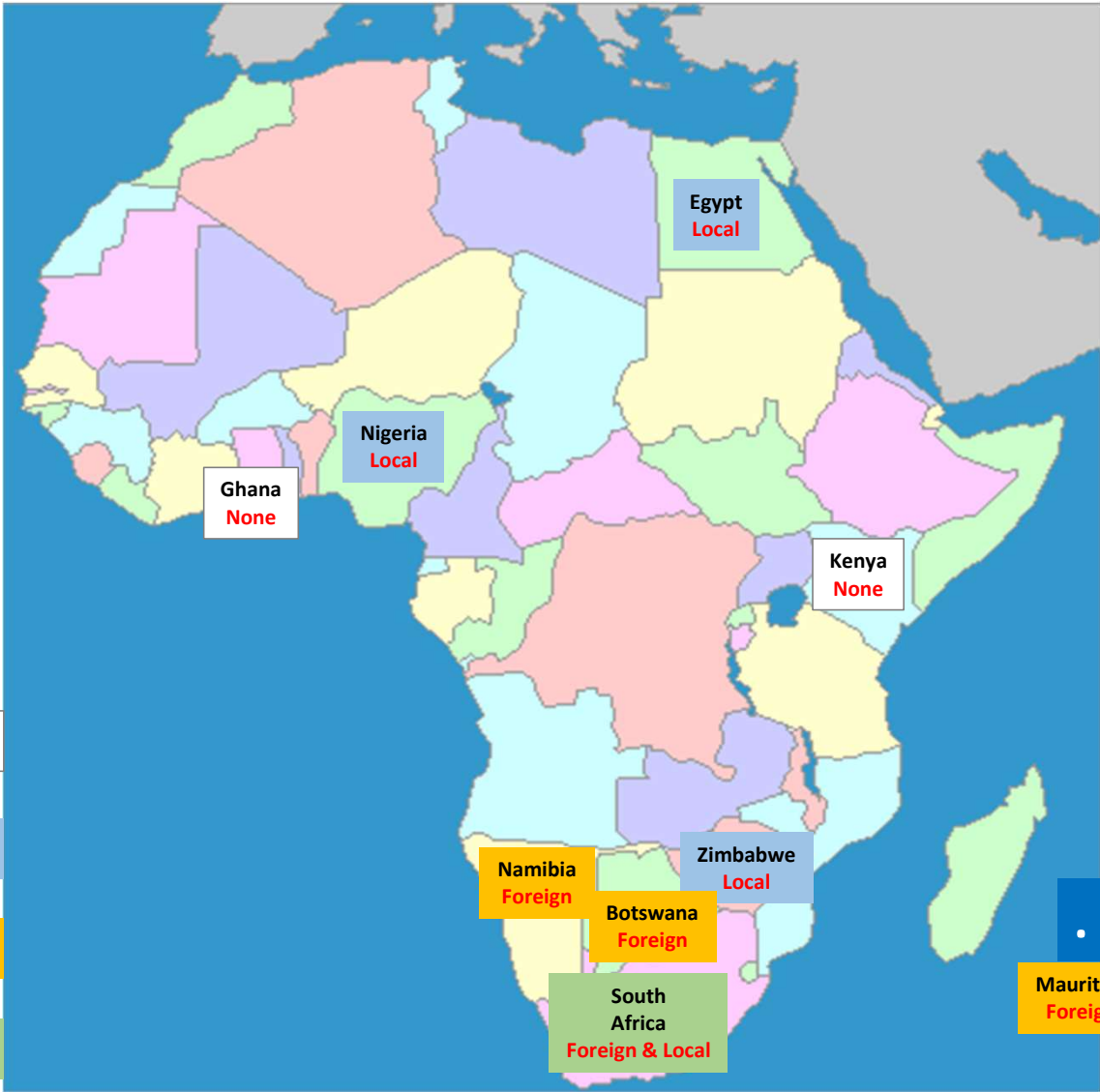


■ Encourage indexation

- Indices provide full exposure to a market
 - Provide diversification
 - Being part of a market index has rewards
 - So issuers have to look at free float, liquidity, etc. to qualify for index inclusion.
- Liquidity problems can hinder tracking of indices by ETP issuers.

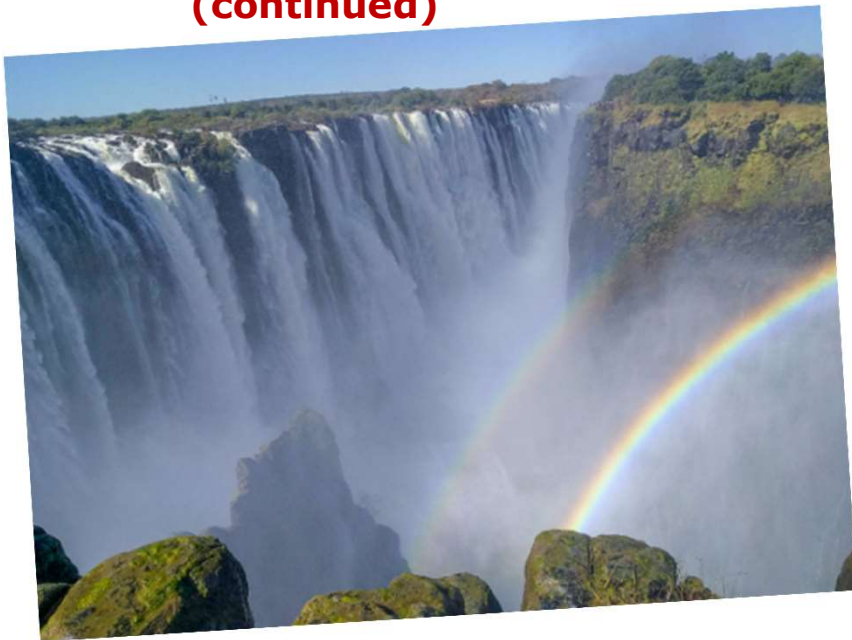
African Exchanges Listing Index Benchmarks

- None
- Local indices only
- Foreign indices only
- Foreign & Local



What Can Stock Exchanges Do To Promote ETPs?

(continued)



▪ Import Liquidity

- Dual (secondary) listing of ETPs listed on other stock exchanges.
- The capital (liquidity) for the listing of such ETPs is created in the **primary** listing stock exchange.

What Can Stock Exchanges Do To Promote ETPs?

(continued)



- Dual listed ETPs create wider investment choice and help globalize exchanges.

- Dual listed ETPs can be either:
 - Classified as domestic assets; or
 - Subject to modified foreign exchange rules.

What Can Stock Exchanges Do To Promote ETPs?

(continued)



▪ **Develop the retail investor market**

- ▣ ETPs are ideal for the retail investor.
- ▣ Easy to understand
 - Buy an index – gives exposure to a basket of shares
 - Provides diversification by spreading the investment allocation
 - A portfolio of investments can be built up by a spread of ETPs, provides access to different asset classes and geographic locations
 - Effectively manages risk.



What Can Stock Exchanges Do To Promote ETPs?

(continued)

- **Can be transacted through the exchange systems and network**
 - Trade like “normal” listed securities.
 - Can be transacted through brokers registered with the exchange.
 - ETPs are well suited to online systems, which can be operated by stockbrokers or specialised online platforms.
 - Low cost structures, associated with ETPs and online platforms, work in favour of the retail investor.

What Can Stock Exchanges Do To Promote ETPs?

(continued)

- **Modify trading and administration systems to accommodate:**
 - Portfolio structures
 - Recurring investments
 - Market making.



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