

**Wealth Management Seminars
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Using ETFs/ETNs in Portfolios to Build Up Your Wealth

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Agenda

- Critical issues in wealth management.
- Why ETFs/ETNs are good wealth management tools.
- Why ETPs are good diversifiers.
- Putting it all together.
- Using ETPs as the building blocks in a strategic asset allocation multi-asset portfolio.
- Actual performance of ETP multi-asset portfolio over past 5 years.
- etfSA Managed Portfolios.
- Tax Free Investment Accounts.
- Using ETPs in Retirement Fund Portfolios.

Critical Issues in Wealth Management

- Start investing as early as possible – make time work for you.
- Keep investing on a regular basis – debit orders are your key tool.
- Make investment a habit – put away 10%-15% of your monthly income in investment products (lump sums and debit orders).

Pay yourself first!

Critical Issues in Wealth Management Cont.

- Diversify your investments into different asset classes and types of investments – you can't forecast which parts of the investment market will do best, so spread your investments to take advantage of all market movements over time.
- Keep costs as low as possible:
 - Product costs
 - Trading costs
 - Intermediary costs (platforms)
 - Structure costs
 - Advice fees.

Why ETFs/ETNs Are Good Wealth Management Tools

They give access to an index (or portfolio) of shares	<ul style="list-style-type: none">• Means diversification• Reduces risk• Lower cost
They trade on stockmarkets	<ul style="list-style-type: none">• Transparency• Low costs• Settlement, custodianship, reporting all built in to trading fees• No counterparty risk.
An index is a dynamic measurement of:	<ul style="list-style-type: none">• The market as a whole• A sector of the market• A specific asset or class of investment

All available through the single trade of an ETF/ETN

Why ETPs Are Good Diversifiers

<p>They can cover the <u>whole equity</u> market.</p> <p>“Buy the Market in a Single Trade”</p>	SA	<ul style="list-style-type: none"> • Satrix 40 ETF • Ashburton Top 40 ETF • NewFunds SWIX Top 40 ETF
	Global	<ul style="list-style-type: none"> • USA – CoreShares S&P 500 ETF • World – DBX Tracker MSCI World ETF

<p>You can allocate to <u>specific sectors</u> of the equity market.</p>	Industrials	• Satrix INDI 25 ETF
	Financials	• NewFunds S&P GIVI FINI ETF
	Resources	• Satrix RESI 10 ETF

Why ETPs Are Good Diversifiers cont.

Something completely different.	Commodity ETFs	<ul style="list-style-type: none">• Gold, Palladium, Rhodium, Silver, Oil, etc.
	Smart Beta "Factor" Investment	<ul style="list-style-type: none">• CoreShares Low Volatility ETF• CoreShares Green ETF• Satrix RAFI 40 ETF
You can focus on some areas of the market		<ul style="list-style-type: none">• Ashburton MidCap ETF• CoreShares DivTrax ETF• PropTrax Ten ETF

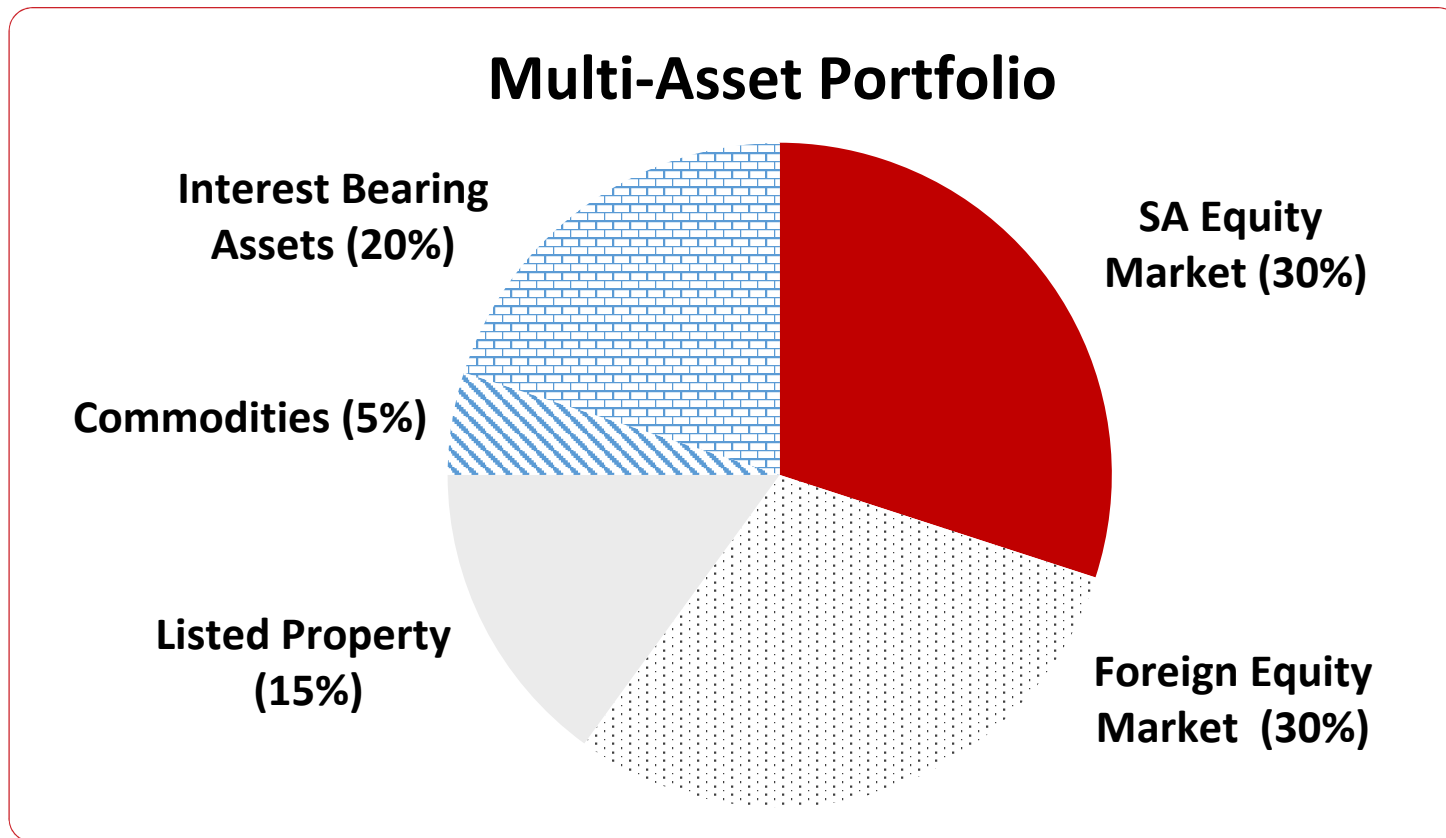
Why ETPs Are Good Diversifiers cont.

<p>Easiest way to access foreign markets with no forex restrictions, low costs and instant liquidity.</p>	<p>DBX Tracker Funds</p>	<ul style="list-style-type: none"> • FTSE 100 • Eurostoxx 50 • China • Emerging Markets.
	<p>CoreShares Global Property ETF</p>	<ul style="list-style-type: none"> • Top 40 listed property companies in the world
<p>Your asset allocation requires exposure to bonds or other interest bearing assets?</p>	<p>NewFunds GOVI ETF</p>	<ul style="list-style-type: none"> • SA fixed interest bonds.
	<p>Ashburton Govt. Inflation Bond ETF</p>	<ul style="list-style-type: none"> • Inflation-linked bonds.
	<p>CoreShares PrefTrax ETF</p>	<ul style="list-style-type: none"> • High yielding variable interest rates.

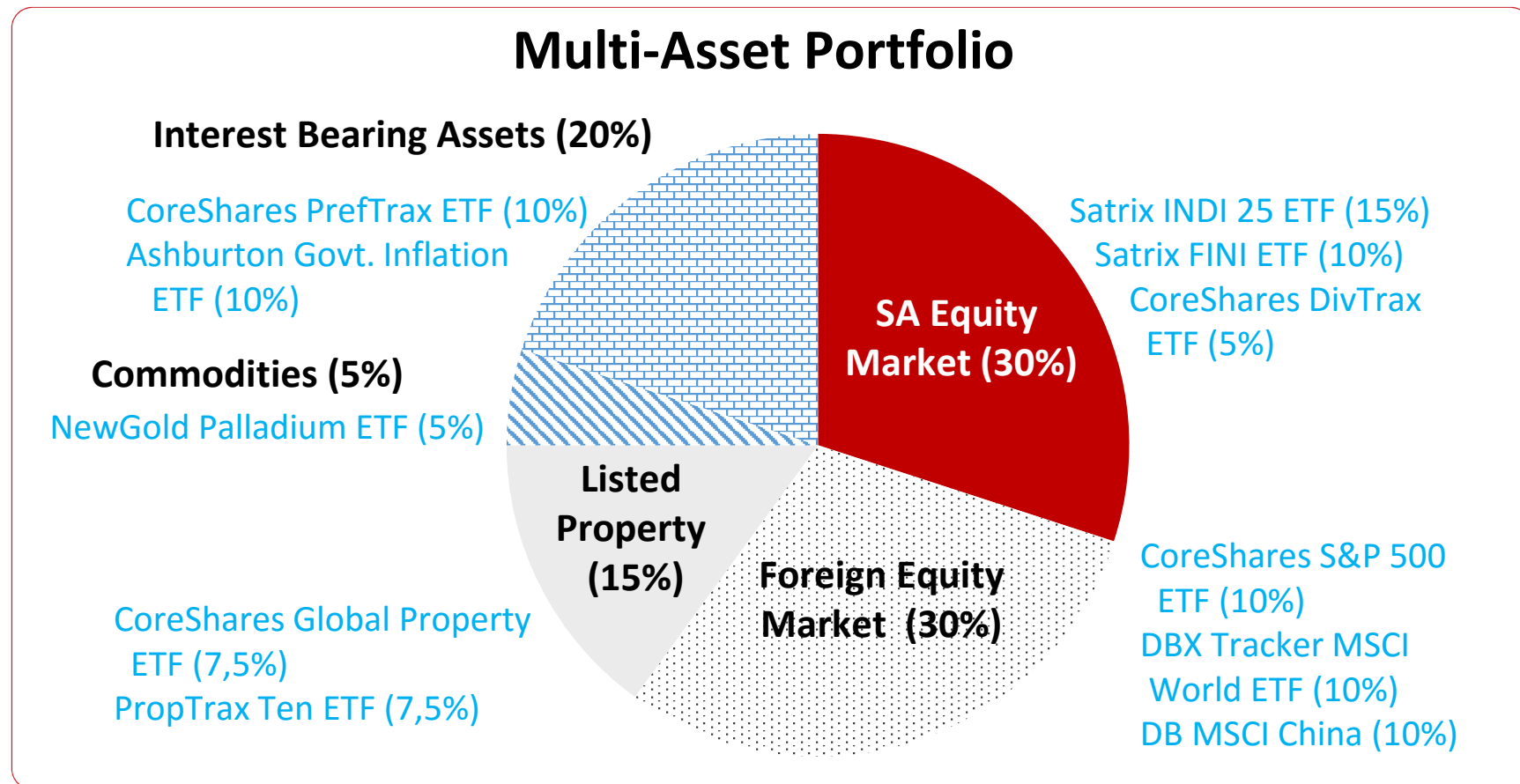
Putting It All Together

- Start with a **strategic asset allocation** strategy.
 - 90% of all investment performance, over time, comes from the right asset allocation.
 - Reinvest all dividends every quarter. This capitalisation of income is an important component of capital growth.
 - Resist tinkering too much with the portfolio (active asset managers, who interfere all the time, underperform the index 85% of the time).

Typical Strategic Asset Allocation Strategy



Using ETPs as the Building Blocks in a Strategic Asset Allocation Multi-Asset Portfolio



Actual Performance of ETF Multi-Asset Portfolio – Over Past 5 Years

	Fund Allocation (%)	% Total Return* (per annum)	Weighted Return (% per annum)
Satrix INDI 25 ETF	15%	19,65%	2,95%
Satrix FINI 15 ETF	10%	16,41%	1,64%
CoreShares DivTrax ETF	5%	7,54%	0,38%
CoreShares S&P 500	10%	25,60%	2,56%
DBX Tracker MSCI World ETF	10%	21,88%	2,19%
DB MSCI China ETN	10%	15,88%	1,59%
PropTrax Ten ETF	7,5%	18,32%	1,38%
CoreShares Global Property 40 ETF	7,5%	25,50%	1,91%
NewGold Palladium ETF	5%	11,22%	0,56%
Ashburton Govt. Inflation ETF	10%	8,65%	0,87%
CoreShares PrefTrax ETF	10%	7,25%	0,73%
*Total <i>Total return with dividends reinvested.</i>	100%		16,76%

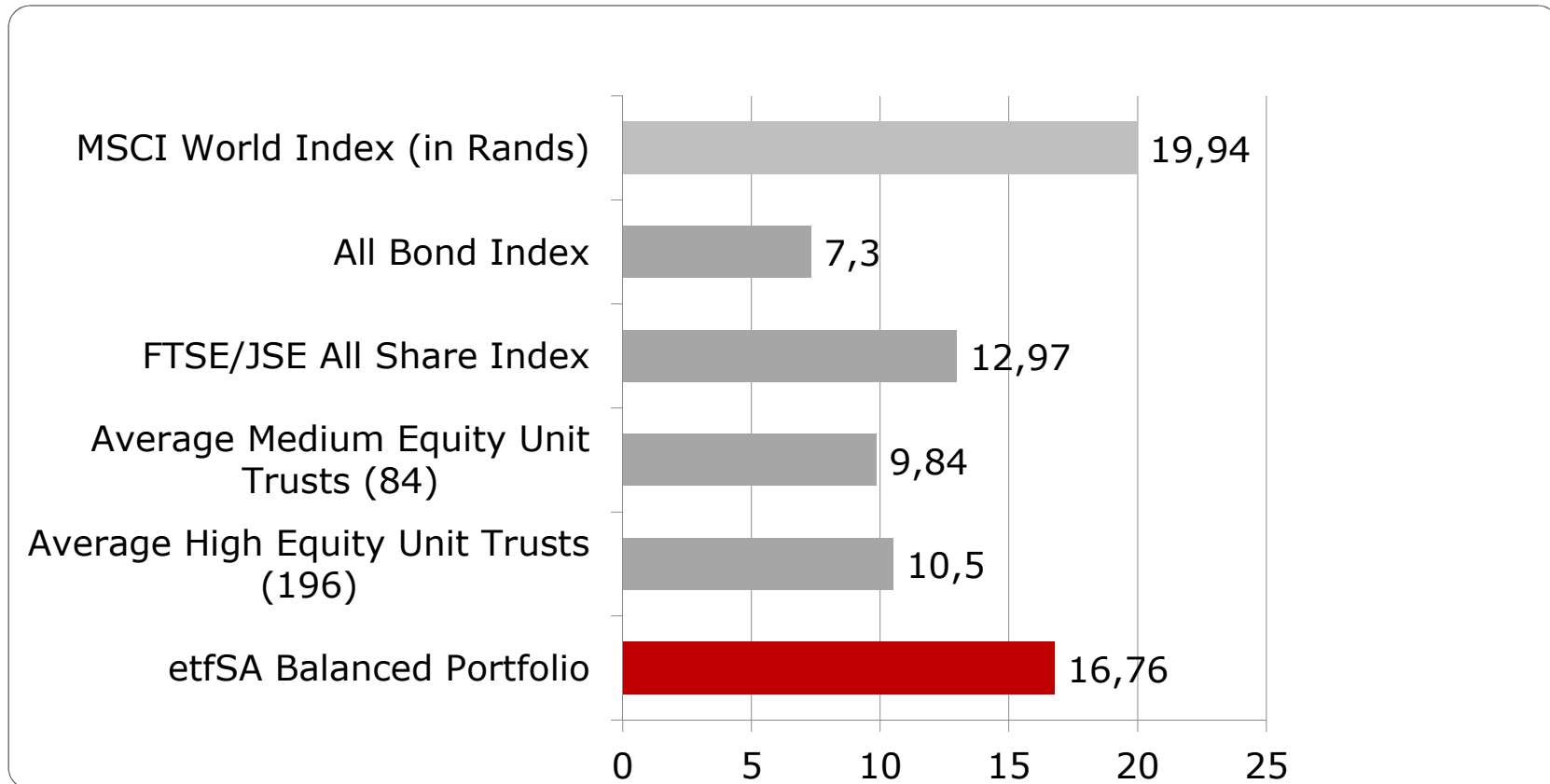
Source: Profile Data / etfSA.co.za (30/12/2016).

Note: Historical returns may not be repeated in future.

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Competitive Returns (% Total Return Per Annum) (past 5 years)



Source: Quarterly Unit Trust Survey (Dec 2016).

Indicative Multi-Asset Portfolio

	Allocation (%)	Lump Sum R100 000	Current Value* After 5 Years (R)	Debit Order (per month per ETF)	Current Value* After 5 Years (R)	Total Value (R)
Satrix INDI 25 ETF	15%	15 000	37 800	300	24 820	62 620
Satrix FINI 15 ETF	10%	10 000	20 300	300	23 130	43 430
CoreShares DivTrax ETF	5%	5 000	7 020	300	20 450	27 470
CoreShares S&P 500	10%	10 000	30 800	300	30 540	61 340
DBX Tracker MSCI World ETF	10%	10 000	26 500	300	27 630	54 130
DBX MSCI China ETN	10%	10 000	20 460	300	24 500	44 960
PropTrax Ten ETF	7,5%	7 500	17 100	300	26 600	43 700
CoreShares Global Property 40 ETF	7,5%	7 500	22 900	300	30 540	53 440
NewGold Palladium ETF	5%	5 000	9 070	300	24 030	33 100
Ashburton Govt. Inflation ETF	10%	10 000	15 150	300	21 270	36 420
CoreShares PrefTrax ETF	10%	10 000	14 900	300	21 100	36 000
Total	100%	R100 000	R222 000	R3 300 pm	R274 610	R496 610

* *With dividends reinvested.*

Source: Profile Data / etfSA.co.za (30/12/2016).

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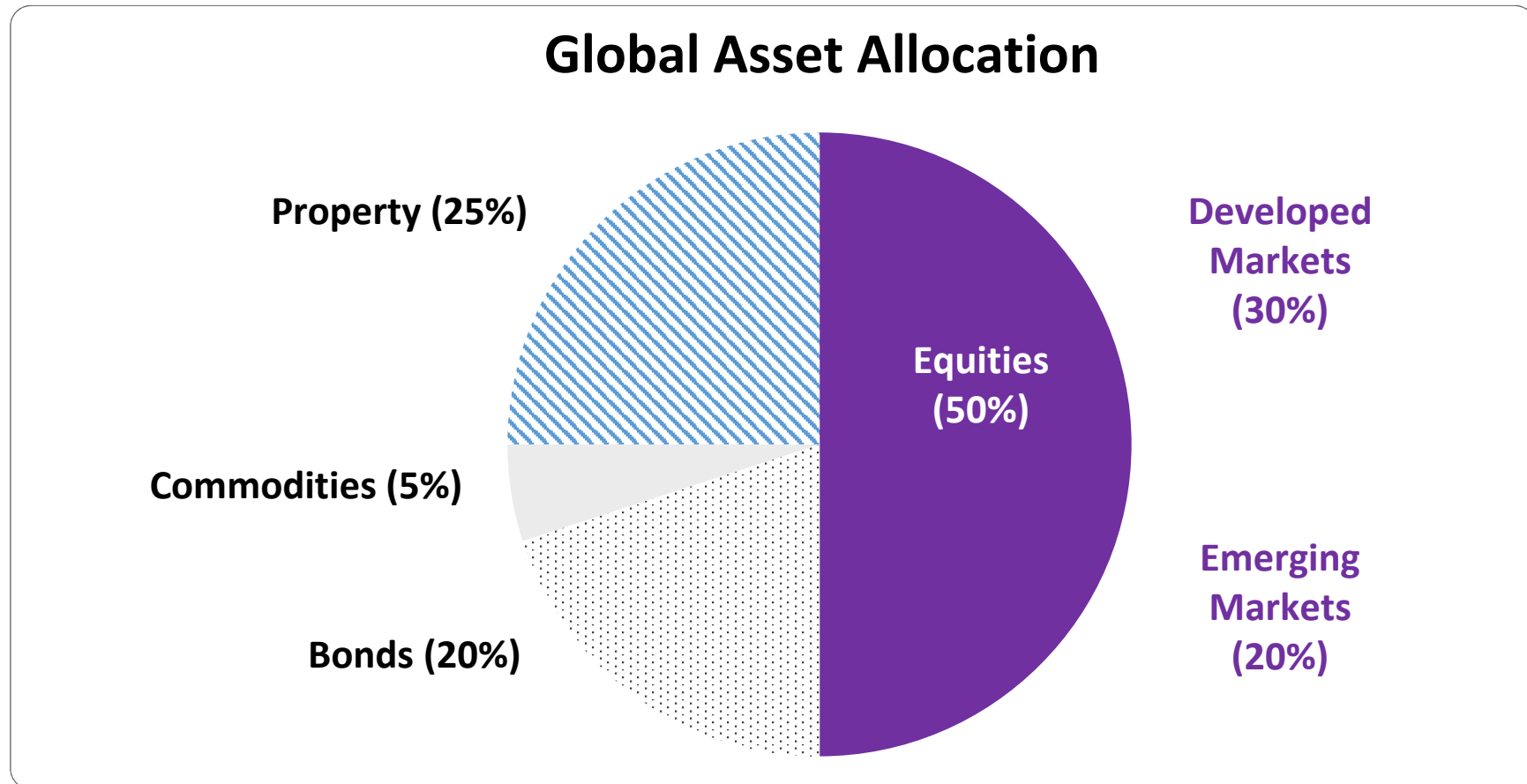
Balanced Multi-Asset Portfolios

Do it yourself	etfSA Investor Plan
Investments from	<ul style="list-style-type: none">• R1000 lump sum• R150 per debit order
Total costs	<ul style="list-style-type: none">• 0,35% - 0,65% management fee• Stockbroker fees 0,08% per transaction• JSE levies, Strate fees, etc. 0,05%
Access to all JSE listed ETPs	<ul style="list-style-type: none">• 76 ETFs/ETNs to choose from

etfSA Managed Portfolios

- Run under etfSA Investment Services (Pty) Ltd, a Category II FSP (License No. 40107) (formerly Resam Financial Services).
- Design bespoke ETF balanced portfolios to meet specific client requirements:
 - Capital gains
 - Capital preservation
 - Tax efficiency
 - Annuity provision
 - Trusts & Foundations
 - Diversification
- Have capped fee of 1% per annum, which includes:
 - All transaction charges
 - Custodianship
 - Administration & client reporting
 - Portfolio management
 - Financial advice & consultation

Now Extended to Global ETF Portfolios



Offshore Portfolio Proposal

Product	Size (million)	Provider	Ticker	TER	3 Year Performance (% p.a.)	Allocation	Weighted Return (% p.a.)
Developed Market Equities							
Core S&P 500 UCITS ETF (USA)	US\$16 529	iShares	CSBX	0,07%	11,85%	10%	1,19%
High Dividend Yield ETF (USA)	US\$20 900	Vanguard	VYM	0,09%	11,21%	10%	1,12%
Core MSCI World UCITS ETF	US\$7 407	iShares	SWDA	0,20%	7,53%	10%	0,75%
						30%	
Emerging Market Equities							
China Large Cap UCITS ETF	US\$595	iShares	FXC	0,74%	4,02%	10%	0,40%
MSCI Emerging Markets UCITS ETF	US\$5 114	iShares	IEEM	0,75%	0,63%	10%	0,06%
						20%	
Bonds							
US Treasury Bond (7 + 10 years) UCITS ETF	US\$2 703	iShares	IBTM	0,20%	5,52%	10%	0,55%
Emerging Markets Government Bond ETF	US\$961	Vanguard	VWOB	0,34%	10,36%	5%	0,52%
Global Infrastructure UCITS ETF	US\$481	iShares	INFR	0,65%	5,99%	5%	0,30%
						20%	

Offshore Portfolio Proposal cont.

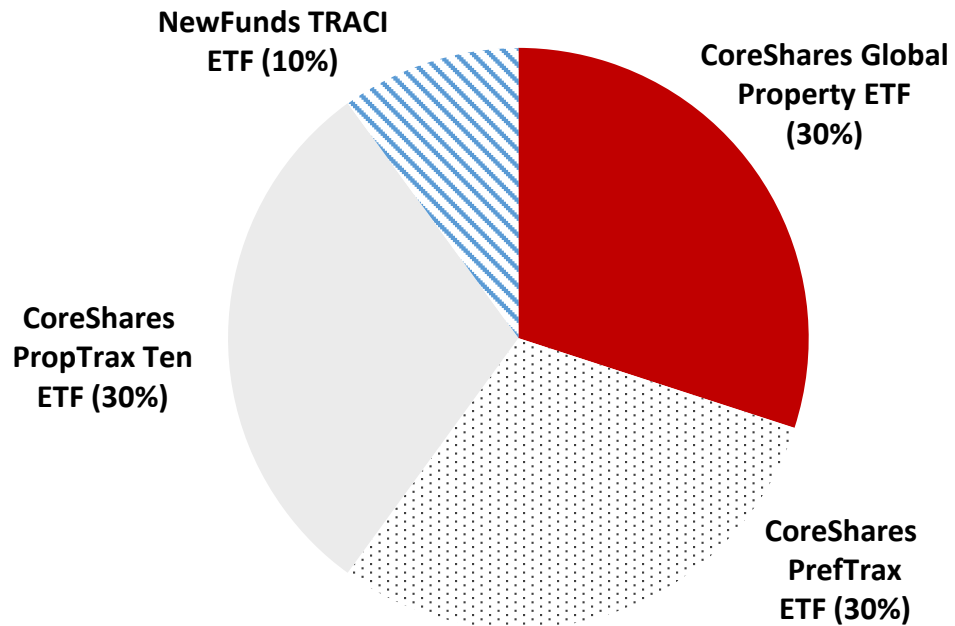
Product	Size (million)	Provider	Ticker	TER	3 Year Performance (% p.a.)	Allocation	Weighted Return (% p.a.)
Property							
US Property Yield UCITS ETF	US\$802	iShares	IUSP	0,40%	14,99%	10%	1,49%
UK Property UCITS ETF	GBP754	iShares	IUKP	0,40%	11,11%	5%	0,55%
European Property Yield UCITS ETF	EUR1 522	iShares	IPRP	0,40%	19,14%	10%	0,91%
						25%	
Commodities							
Physical Gold ETC	US\$2 110	iShares	SGLN	0,25%	-1,01%%	5%	(0,05%)
Total Annual Return (US Dollars)							8,01%
Total Annual Return (ZAR Rands)							21,51%

ETF Tax Free Investment Accounts

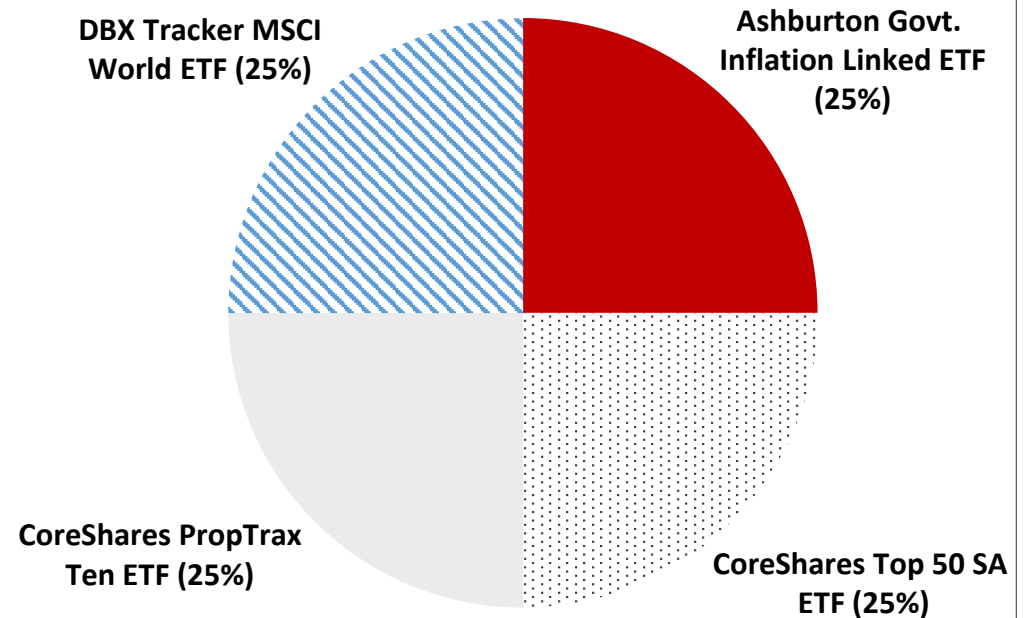
- ETF Tax Free Accounts:
 - Administered by Computershare
 - Asset management by etfSA.co.za.
- 1% per annum total costs – includes all transaction fees, financial advice and administration.
- Lump sums from R1000 per ETF or portfolio
- Debit orders from R300 per month.
- Four specific risk portfolios offered.
- Or choose your own ETF from 41 eligible ETFs listed on the JSE.
- R30 000 per year limited per individual.
- R500 000 lifetime limit.
- Ideal for minor investors to build up capital for education, etc.

Portfolio Choices for 2017/2018 Tax Year

Income Portfolio

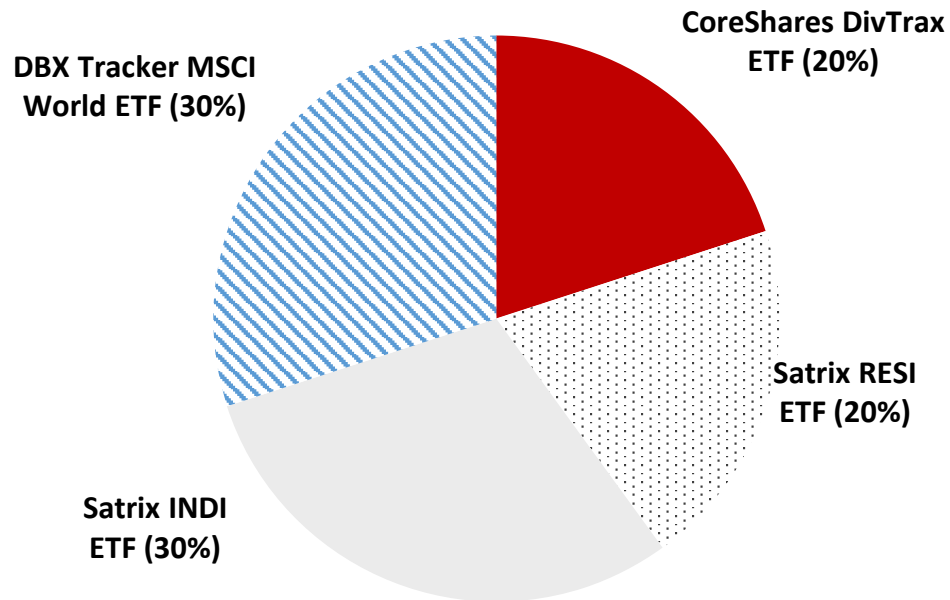


Balanced Portfolio

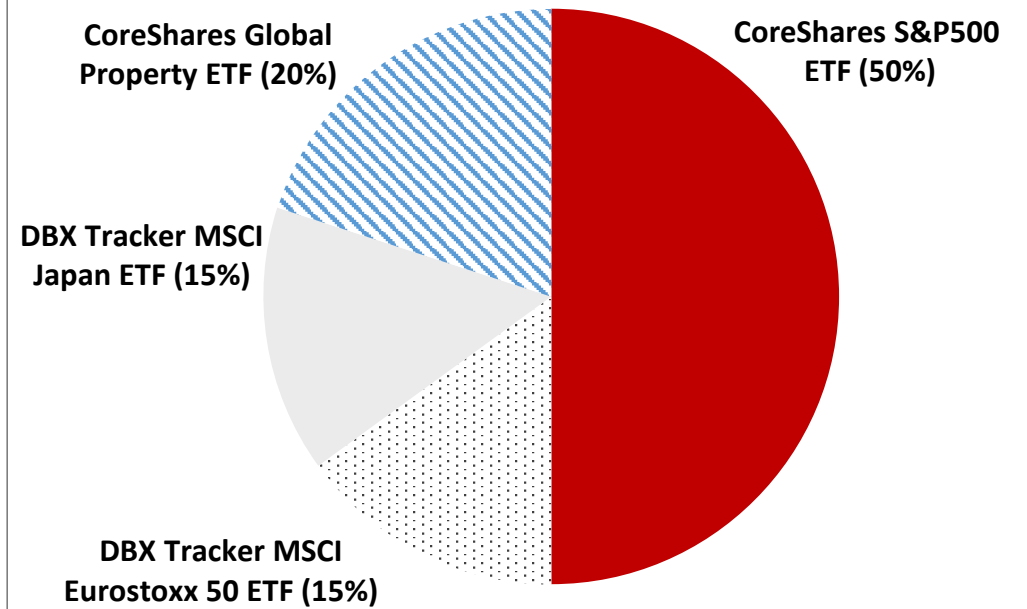


Portfolio Choices for 2017/2018 Tax Year cont.

Equity Portfolio



International Portfolio



Using ETFs in Retirement Fund Portfolios

- Ideal for retirement annuities:
 - Low cost
 - Cover all asset classes
 - Regulation 28 compliance can be monitored “live”
 - Very flexible and liquid for portfolio changes.
- etfSA RA Funds offers three portfolios:
 - Wealth Conservator Fund – CPI +3%
 - Wealth Builder Fund – CPI +5%.
 - Wealth Enhancer Fund – CPI +7%
- Total cost to member of Fund = 1% per annum.
- You can transfer into and out of the etfSA RA Fund by Section 14 (with no cost from etfSA RA Fund).



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What to Avoid in Retirement Annuity Funds

- Multiple Wrapper Funds
 - Umbrella Funds
 - Occupational or Professional Funds.
- RAs wrapped in insurance policies
 - Only a percentage of your contributions go to your RA
 - Only your contributions to the RA funds are tax deductible and not to the insurance portion of the policy.
 - Can adversely affect your exemption from Estate Duties.
- Loyalty schemes – you have to be “loyal” until you reach retirement age, so why give up your benefits now.



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What to Avoid in Retirement Annuity Funds cont.

- Money spread amongst multiple asset managers/unit trusts
 - one asset manager is much, much cheaper.
- Platform providers
 - Another layer in the cost chain.
- Undisclosed costs
 - Portfolio charges
 - Platform fees
 - Administration fees
 - Benefit management charges (13(b))
 - Financial advice fees
 - Consultancy fees
 - Sponsor fees
 - Members' share of Fund costs.



Contact Details

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