

# **Tax Efficient Investments with etfSA.co.za**

**Presentation at:  
Wealth Seminar, JSE  
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# Agenda

## ETF Tax Free Investment Accounts

- What are tax free accounts?
- Portfolios available.
- ETFs qualifying for tax free accounts.
- Where tax free investments really score.

## etfSA Retirement Annuity Funds

- What are retirement annuities?
- etfSA Retirement Annuity Funds.
- New Wealth Default Portfolio.
- Do's and Don'ts of Retirement Funds.

# Tax Free Investment Accounts

## ■ Benefits

- No tax whatsoever – no capital gains tax, no dividend withholding tax, no interest tax
- No restriction on withdrawals – timing or amount.

## ■ Limitations

- Annual (R33,000) and lifetime (R500,000) contribution limits
- Restrictions on underlying investments, e.g. only ETFs/unit trusts.

## ■ Who?

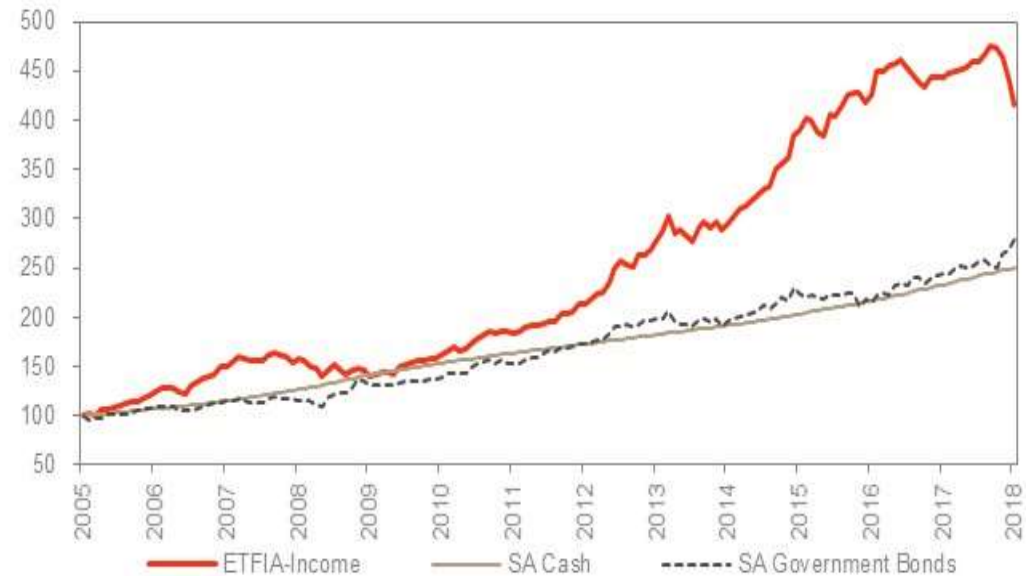
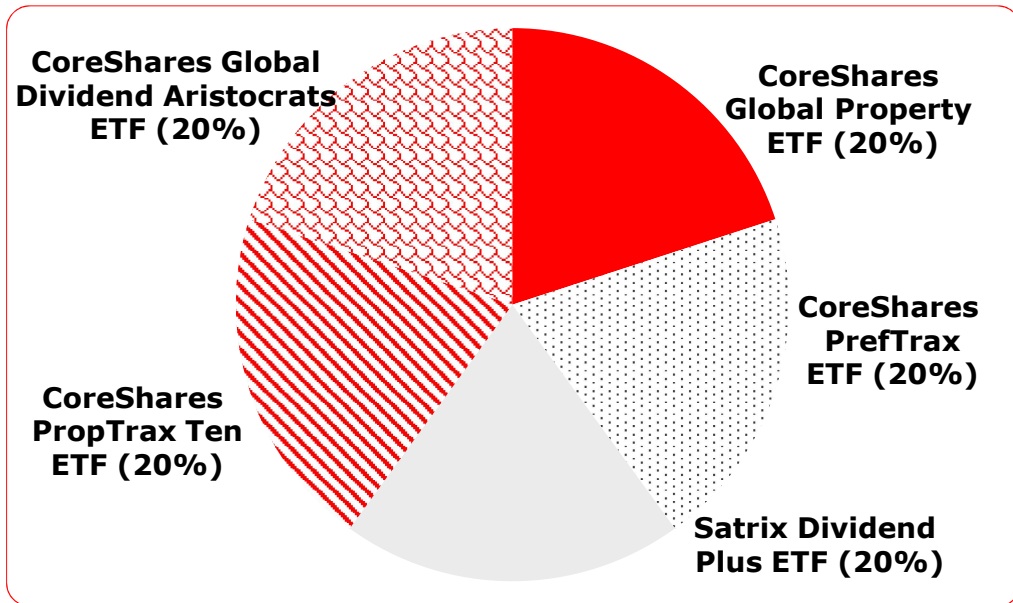
- Only individuals, SA residents (SA bank account)
- Can be infants, children and non-tax payers.

# ETF Tax Free Investment Accounts

- Can select investments from R1000 in lump sum or R300 debit orders, up to R33 000 per tax year, in:
  - Four specially designed ETF portfolios
  - Select your own ETF or ETFs
  - Can transfer out of other tax free accounts to etfSA.co.za, or vice versa.

<b>FEES – 1% ALL-IN INVESTMENT AND ADMINISTRATION COST</b>	
	<b>Rate per annum</b>
Portfolio Management and Advice Fees	0,5% (incl. VAT)
Administration and Custody Fees	0,5% (incl. VAT)
<i>All transaction fees for ETF portfolio purchases, reinvestment of dividends, etc. are included in the total fee of 1% per annum.</i>	

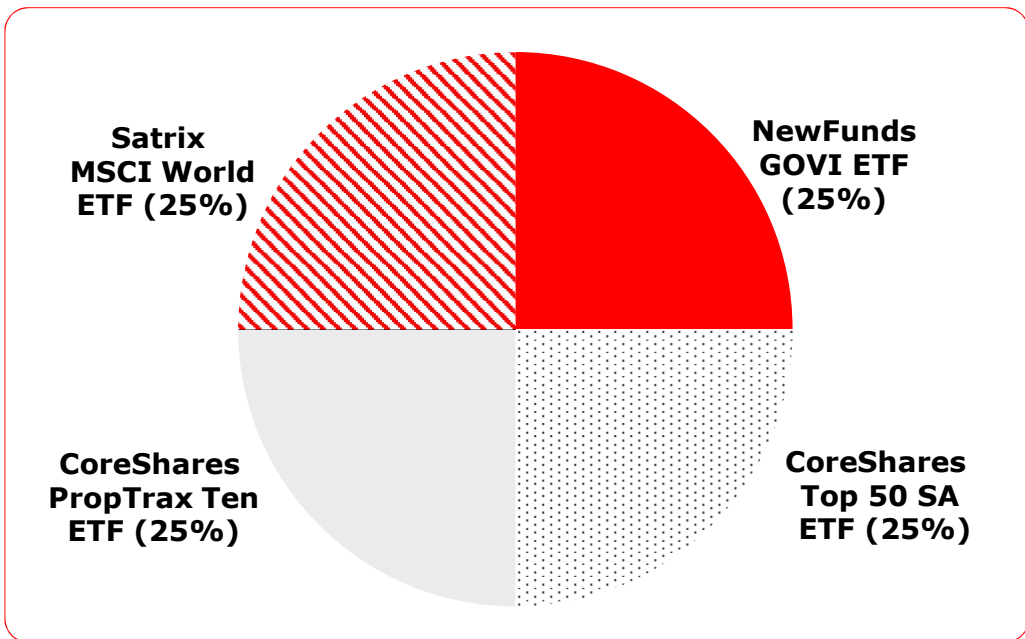
# Tax Free Investment Accounts Income Portfolio



Average return p.a. last five years: **8.4%**

Note: Past performance is no guarantee of future returns

# Tax Free Investment Accounts Balanced Portfolio



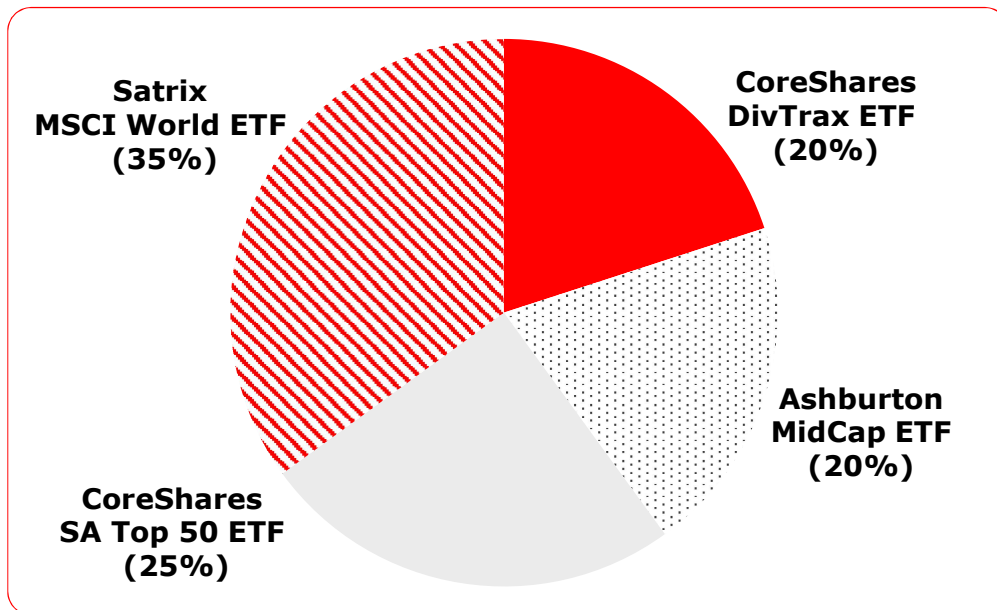
Average return p.a. last five years: **9.4%**

Note: Past performance is no guarantee of future returns

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# Tax Free Investment Accounts Equity Portfolio



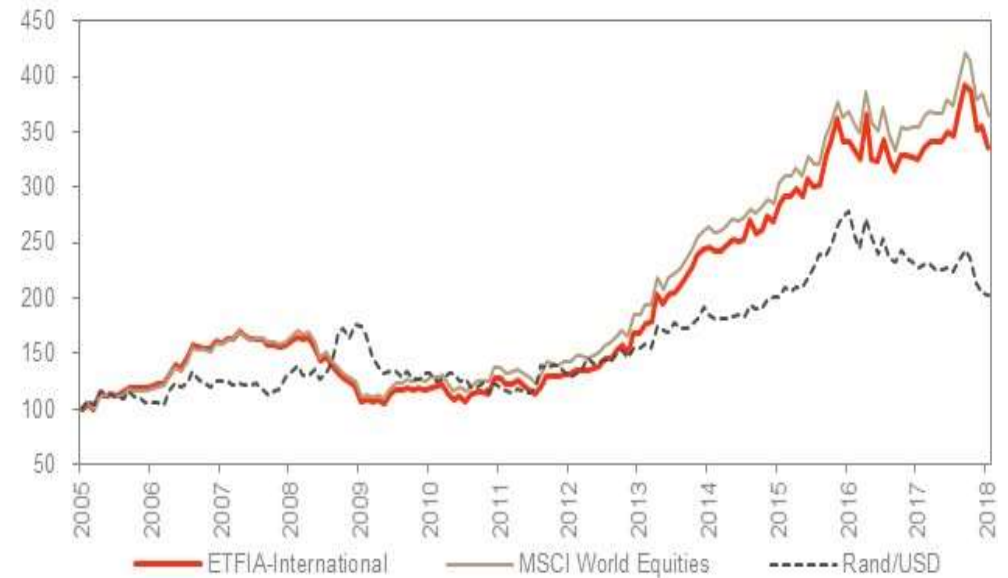
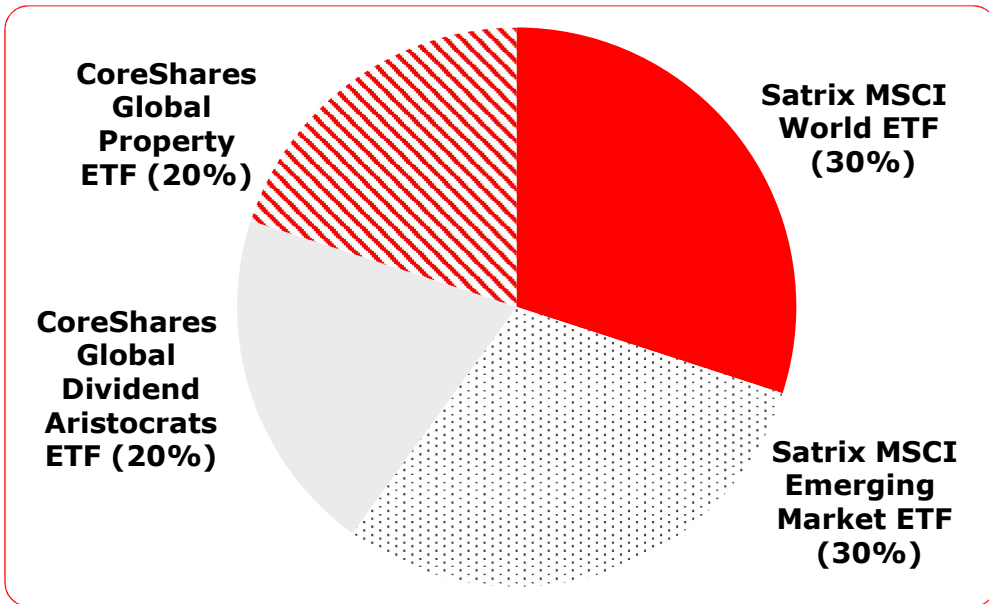
Average return p.a. last five years: **12.9%**

Note: Past performance is no guarantee of future returns

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# Tax Free Investment Accounts International Portfolio



Average return p.a. last **five** years: **14.7%**

Note: Past performance is no guarantee of future returns



# ETFs That Can Be Used in Tax Free Accounts

JSE Share Code	ETF Name	ETF Provider	JSE Share Code	ETF Name	ETF Provider
<b>Domestic (SA) Equities</b>					
<b>Broad-based large cap</b>					
<b>ASHT40</b>	Ashburton Top 40	Ashburton	<b>STXSWX</b>	Satrix SWIX 40	Satrix
<b>CSEW40</b>	CoreShares EW Top 40	Grindrod	<b>STXRAF</b>	Satrix RAFI 40	Satrix
<b>CTOP50</b>	CoreShares Top50	Grindrod	<b>STAN40</b>	Stanlib Top 40	Stanlib
<b>NFSH40</b>	NewFunds Shari'ah Top 40	ABSA	<b>STANSX</b>	Stanlib SWIX Top 40	Stanlib
<b>GIVISA</b>	NewFunds S&P GIVI Top 50	ABSA	<b>SYGT40</b>	Sygnia/Itrix Top 40	Sygnia
<b>NFSWIX</b>	NewFunds SWIX 40	ABSA	<b>SYGSW4</b>	Sygnia/Itrix SWIX 40	Sygnia
<b>STX40</b>	Satrix 40	Satrix			
<b>Sectors</b>					
<b>ASHMID</b>	Ashburton MidCap	Ashburton	<b>STXFIN</b>	Satrix FINI 15	Satrix
<b>GIVFIN</b>	NewFunds S&P GIVI SA Financial	ABSA	<b>STXIND</b>	Satrix INDI 25	Satrix
<b>GIVIND</b>	NewFunds S&P GIVI SA Industrial	ABSA	<b>STXRES</b>	Satrix RESI 10	Satrix
<b>GIVRES</b>	NewFunds S&P GIVI SA Resources	ABSA			
<b>Style / Factors / 'Smart'</b>					
<b>DIVTRX</b>	CoreShares Dividend Aristocrats	Grindrod	<b>NFEVAL</b>	NewFunds Value Equity	ABSA
<b>NFEMOM</b>	NewFunds Equity Momentum	ABSA	<b>STXDIV</b>	Satrix Dividend Plus	Satrix
<b>NEWFSA</b>	NewFunds NewSA	ABSA	<b>STXQUA</b>	Satrix Quality South Africa	Satrix
<b>NFEVOL</b>	NewFunds Low Volatility	ABSA			

## ETFs That Can Be Used In Tax Free Accounts (continued)

JSE Share Code	ETF Name	ETF Provider	JSE Share Code	ETF Name	ETF Provider
<b>Domestic (SA) Interest Bearing</b>					
<b>ASHINF</b>	Ashburton Government Inflation	Ashburton	<b>NFILBI</b>	NewFunds ILBI	ABSA
<b>PREFTX</b>	CoreShares PrefTrax	Grindrod	<b>NFTRCI</b>	NewFunds TRACI 3month	ABSA
<b>NFGOVI</b>	NewFunds GOVI	ABSA	<b>STXILB</b>	Satrix Inflation-Linked Bonds	Satrix
<b>Domestic (SA) Listed Property</b>					
<b>PTXSPY</b>	CoreShares PropTrax SAPY	Grindrod	<b>STXPRO</b>	Satrix Property	Satrix
<b>PTXTEN</b>	CoreShares PropTrax Ten	Grindrod	<b>STPROP</b>	Stanlib SA Property	Stanlib
<b>Domestic (SA) Multi Assets</b>					
<b>MAPPSG</b>	NewFunds MAPPS Growth	ABSA	<b>MAPPSP</b>	NewFunds MAPPS Protect	ABSA
<b>International Listed Bonds</b>					
<b>ASHWBG</b>	Ashburton World Government	Ashburton	<b>ETFGGB</b>	Stanlib Global Government Feeder	Stanlib
<b>International Listed Property</b>					
<b>AMIRE</b>	AMI Real Estate ex-SA	Cloud Atlas	<b>ETFGRE</b>	Stanlib Global REIT Feeder	Stanlib
<b>GLPROP</b>	CoreShares S&P Global Property	Grindrod	<b>SYGP</b>	Sygnia/Itrix Global Property	Sygnia
<b>International Equities</b>					
<b>AMIB50</b>	AMI Bi50 ex-SA	Cloud Atlas	<b>SYG4IR</b>	Sygnia Itrix 4th Industrial Revolution	Sygnia
<b>ASHGEQ</b>	Ashburton Global 1200	Ashburton	<b>SYGEU</b>	Sygnia Itrix Eurostoxx 50	Sygnia
<b>CSP500</b>	CoreShares S&P 500	Grindrod	<b>SYGUK</b>	Sygnia Itrix FTSE 100	Sygnia
<b>STXEMG</b>	Satrix MSCI Emerging Markets	Satrix	<b>SYGJP</b>	Sygnia Itrix MSCI Japan	Sygnia
<b>STXWDM</b>	Satrix MSCI World	Satrix	<b>SYGUS</b>	Sygnia Itrix MSCI USA	Sygnia
<b>STX500</b>	Satrix S&P 500	Satrix	<b>SYGWD</b>	Sygnia Itrix MSCI World	Sygnia
<b>ETF500</b>	Stanlib S&P 500 Feeder	Stanlib	<b>SYG500</b>	Sygnia/Itrix S&P 500	Sygnia

# Tax Free ETF Tips

- Not tax on income and capital growth favours high yielding capital appreciating asset classes:
  - **Listed Property ETFs.**
- No capital gains tax on currency depreciation favours:
  - **Foreign ETFs.**

# etfSA Retirement Annuity Funds



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# etfSA Retirement Annuity Funds

- Your own retirement account.
- Can be run independently to your occupational pension fund or other contractual retirement funds.
- Flexible:
  - Choose from various portfolios
  - Choose date of retirement
  - Contributions not fixed.
- Can view retirement benefits online (updated daily).
- Section 14 of the Pension Funds Act enables you to transfer from any retirement fund, or pension fund to etfSA RA Fund.
- Can provide ETF based Provident and Preservation Funds, if required.



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# etfSA Retirement Fund Accounts

- All contributions are tax deductible – up to 27,5% of your annual taxable income.
- All growth in the Retirement Fund is not taxable (dividends, interest, capital gains not taxed).
- We use only ETFs to construct different risk portfolios that are fully Regulation 28 compliant. This provides:
  - Access to all asset classes through ETFs, including all global asset classes
  - ETFs give portfolio exposure with full transparency
  - High liquidity and tradability.



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# etfSA Retirement Fund Accounts

- Low, low costs: total costs = 1% per annum, includes:
  - Portfolio charges
  - Administration of benefits
  - Financial advice
  - Platform administration costs
  - Sponsor fees and fund running costs.

**No hidden fees**



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# Four Portfolio Choices

<b>Wealth Protector Portfolio</b> <b>(Cash/Money Market)</b>	<ul style="list-style-type: none"><li>• No capital risk</li><li>• 7,5%-8% per annum yield</li></ul>
<b>Wealth Conservator Portfolio</b> <b>(Balanced ETF Portfolio)</b>	<ul style="list-style-type: none"><li>• Targets CPI +3%</li><li>• Relatively high exposure to income bearing assets.</li></ul>
<b>Wealth Builder Portfolio</b> <b>(Balanced ETF Portfolio)</b>	<ul style="list-style-type: none"><li>• Targets CPI +5%</li><li>• Higher equity exposure</li></ul>
<b>Wealth Enhancer Portfolio</b> <b>(Balanced ETF Portfolio)</b>	<ul style="list-style-type: none"><li>• Targets CPI +7%</li><li>• Maximum offshore exposure</li><li>• Commodities</li><li>• High equity</li></ul>
<p><b>Can switch between these portfolios at any time, at no cost</b></p> <p><b>Multi-portfolio strategies permitted</b></p>	



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# Now Five Portfolios

## Wealth Default Portfolio

- Designed to meet the regulatory requirements for a simple, low cost portfolios to be offered to members.
- Rules-based passively managed portfolio that targets a strategic asset allocation amongst multiple asset classes.
- Based on empirical studies that indicate that a strategic asset allocation strategy provides rewards in investment performance, lower volatility and enhanced risk management over the medium to long term.
- Does not look to actively manage response to cyclical and other market movements, but relies on a diversified multi-asset strategy to deliver rewards over time.



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# Wealth Default Portfolio

Strategic Asset Allocation Structure				
Asset Class	Allocation (%)	Index	5 Year Index Returns (% p.a.)	Weighted Average Annual Return (% p.a.)
Cash	10	STEFI	6,5	0,65
Bonds	20	ALBI	7,70	1,54
SA Listed Property	10	SAPY	5,70	0,57
SA Equity	33	ALSI	5,77	1,90
Foreign Equity	27	MXWR	9,51	2,57
				<b>7,23</b>
Source: Profile Data / etfSA.co.za (31/12/2018).				



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# Wealth Default Portfolio

## Strategic Asset Allocation Structure

Asset Class	Allocation (%)	Index	10 Year Index Returns (% p.a.)	Weighted Average Annual Return (% p.a.)
Cash	10	STEFI	7,10	0,71
Bonds	20	ALBI	7,68	1,54
SA Listed Property	10	SAPY	12,09	1,21
SA Equity	33	ALSI	12,62	4,16
Foreign Equity	27	MXWR	12,24	3,30
				<b>10,92</b>

Source: Profile Data / etfSA.co.za (31/12/2018).



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# Does a Passive Strategic Asset Allocation Pay Off?

	5 Year Return (% p.a.)	10 Year Return (% p.a.)
etfSA Strategic Asset Allocation	7,23	10,92
Multi Asset Medium Equity Unit Trust (average return)	4,97	8,57
<i>Source: Unit Trust Quarterly Survey (Dec 2018).</i>		

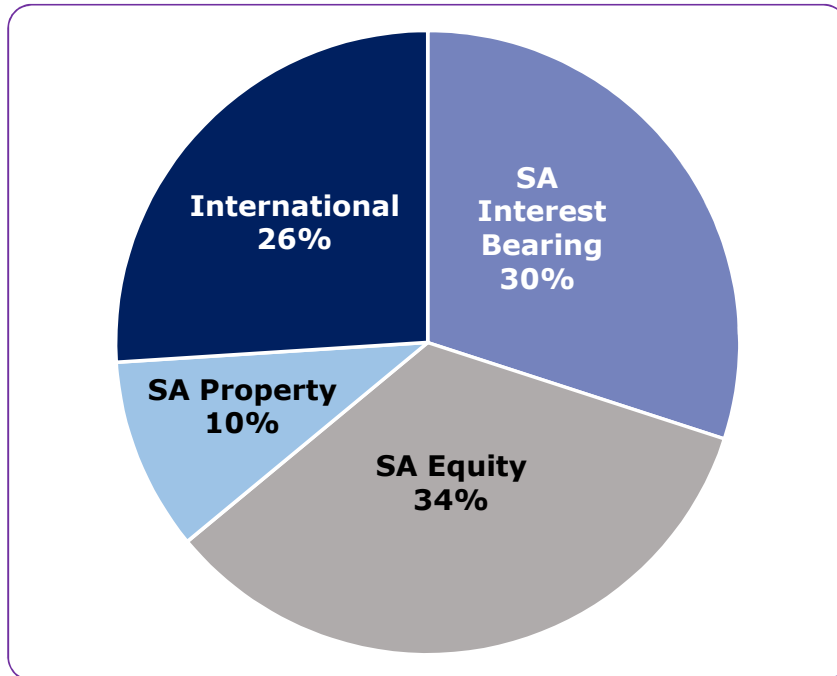


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# etfSA Retirement Annuity Funds

## Wealth Default Portfolio

### Default - Benchmark Asset Allocation



### Portfolio Investment Returns compared with Market Performance

(%)	6m	1yr	3yrs (pa)	5yrs (pa)	10yrs (pa)
Cash - Short Term Fixed Income Index (10%)	3.5	6.8	7.3	6.8	6.7
Bonds - FTSE/JSE All Bond Index (20%)	4.3	7.7	11.1	7.7	7.7
Equities - FTSE/JSE Capped SWIX Index (33%)	-5.0	-10.8	3.1	5.1	12.5
Property - FTSE/JSE SA Listed Property Index (10%)	-5.0	-25.3	-1.2	5.7	12.1
Global - MSCI World Index in ZAR (27%)	-5.7	4.4	1.7	9.2	11.9
Composite Benchmark	-2.3	-2.7	4.8	7.4	11.2
<b>etfSA Wealth Default - Model Portfolio</b>	<b>-2.5</b>	<b>-0.8</b>	<b>5.3</b>	<b>7.9</b>	<b>11.4</b>



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# Do's & Don'ts of Retirement Funds

## AVOID:

<b>Contractual products</b>	<ul style="list-style-type: none"><li>• Fixed retirement dates.</li><li>• Penalties if you miss a debit order, etc.</li></ul>
<b>Multi-layers</b>	<ul style="list-style-type: none"><li>• Investment products / retirement fund provider (sponsors) / platform fees / financial advisors, are all from different companies.</li></ul>
<b>Complexities</b>	<ul style="list-style-type: none"><li>• Life insurance / risk insurance / retirement / funeral cover – all wrapped in one product.</li></ul>
<b>Lack of transparency</b>	<ul style="list-style-type: none"><li>• Only reports once a year.</li><li>• No clear reporting on total costs.</li></ul>
<b>Lack of choice</b>	<ul style="list-style-type: none"><li>• Only single options.</li></ul>



# Do's & Don'ts of Retirement Funds

## LOOK FOR:

<b>Flexible products</b>	<ul style="list-style-type: none"> <li>• No tied contracts for contributions.</li> <li>• Free movement between portfolio choices.</li> <li>• No fixed retirement dates</li> </ul>
<b>Simple structure</b>	<ul style="list-style-type: none"> <li>• Single product / single provider</li> </ul>
<b>Focus</b>	<ul style="list-style-type: none"> <li>• Only provide retirement (so 100% of your contribution goes to your pension).</li> </ul>
<b>Transparency</b>	<ul style="list-style-type: none"> <li>• Online access to your portfolio (updates daily).</li> <li>• Rules, benefits, portfolios, costs – all fully disclosed and available at all times.</li> </ul>
<b>Low Costs</b>	<ul style="list-style-type: none"> <li>• High costs biggest eroder of retirement capital.</li> </ul>
<b>Choice</b>	<ul style="list-style-type: none"> <li>• Multiple portfolio options and allocation strategies.</li> </ul>



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# Dates to Remember

<b>Last date for additional contributions</b>	<b>22 February 2019</b>
<b>New applications</b>	<b>20 February 2019</b>
<b>Open Day at etfSA.co.za</b>	<b>Saturday 9 February 2019</b>



# Contact Details

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<b>RA Funds</b>	<b>010 446 0374</b>	<a href="mailto:rafunds@etfsa.co.za">rafunds@etfsa.co.za</a>
<b>Living Annuity Funds</b>	<b>010 446 0374</b>	<a href="mailto:lafunds@etfsa.co.za">lafunds@etfsa.co.za</a>
<b>Portfolio Management Service</b>	<b>010 446 0372</b>	<a href="mailto:portfolios@etfsa.co.za">portfolios@etfsa.co.za</a>
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