

Introduction to Exchange Traded Products (ETPs)

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Investor Club / Stokvels
Education Seminar - JSE
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What Are Exchange Traded Products (ETPs)?

- They are securities traded on the JSE, like any other listed shares.
- They give access to a portfolio (Fund) of shares.
- The Fund typically tracks an index.

Components of FTSE/JSE Top 40 Index

Index Weights – Basket of Constituents (as at September 2013) FTSE/JSE Top 40 Index			
	Market Cap Weighted (%)		Market Cap Weighted (%)
African Rainbow Minerals	0,31	Compagnie Fin Richemont	10,56
Anglo Platinum Ltd	0,54	Discovery	0,50
Anglo American Plc	6,81	Exxaro Resources Ltd	0,44
Anglo Gold Ashanti Ltd	1,05	Firststrand Ltd	2,04
Aspen Pharmacare Hldgs	1,51	Gold Fields Ltd	0,72
Assore Ltd	0,28	Growthpoint Properties Ltd	0,90
Barclays Africa Group	0,98	Impala Platinum Holdings	1,33
BHP Billiton Plc	13,16	Imperial	0,78
Bidvest Group Ltd	1,41	Investec Ltd	0,33
British American Tobacco	3,13	Investec Plc	0,81

Components of FTSE/JSE Top 40 Index

Index Weights – Basket of Constituents (as at September 2013) FTSE/JSE Top 40 Index			
	Market Cap Weighted (%)		Market Cap Weighted (%)
Intu Properties Plc	0,73	RMB Holdings Ltd	0,70
Kumba Iron Ore Ltd	0,55	SABMiller Plc	10,38
Mediclinic International Ltd	0,64	Sanlam Ltd	1,87
Massmart	0,37	Sasol Ltd	5,44
Mondi Ltd	0,42	Shoprite Holdings Ltd	1,52
Mondi Plc	1,29	Standard Bank Group Ltd	2,99
MTN Group	7,31	Steinhoff International Hldg	1,31
Naspers Ltd -N-	7,53	Tiger Brands Ltd	0,96
Nedbank Group Ltd	0,84	Truworths	0,78
Old Mutual Plc	2,93	Vodacom Group	0,85
Remgro Ltd	1,93	Woolworths Holdings Ltd	1,09

The Case for ETPs

- You buy one ETP, but you own a whole portfolio (fund) of shares.
- Although you own a whole portfolio, you only pay for one share – brokerage and JSE settlement costs are only paid once and not for every share in the portfolio.

Buy one security and own a whole “basket” of shares on the JSE.

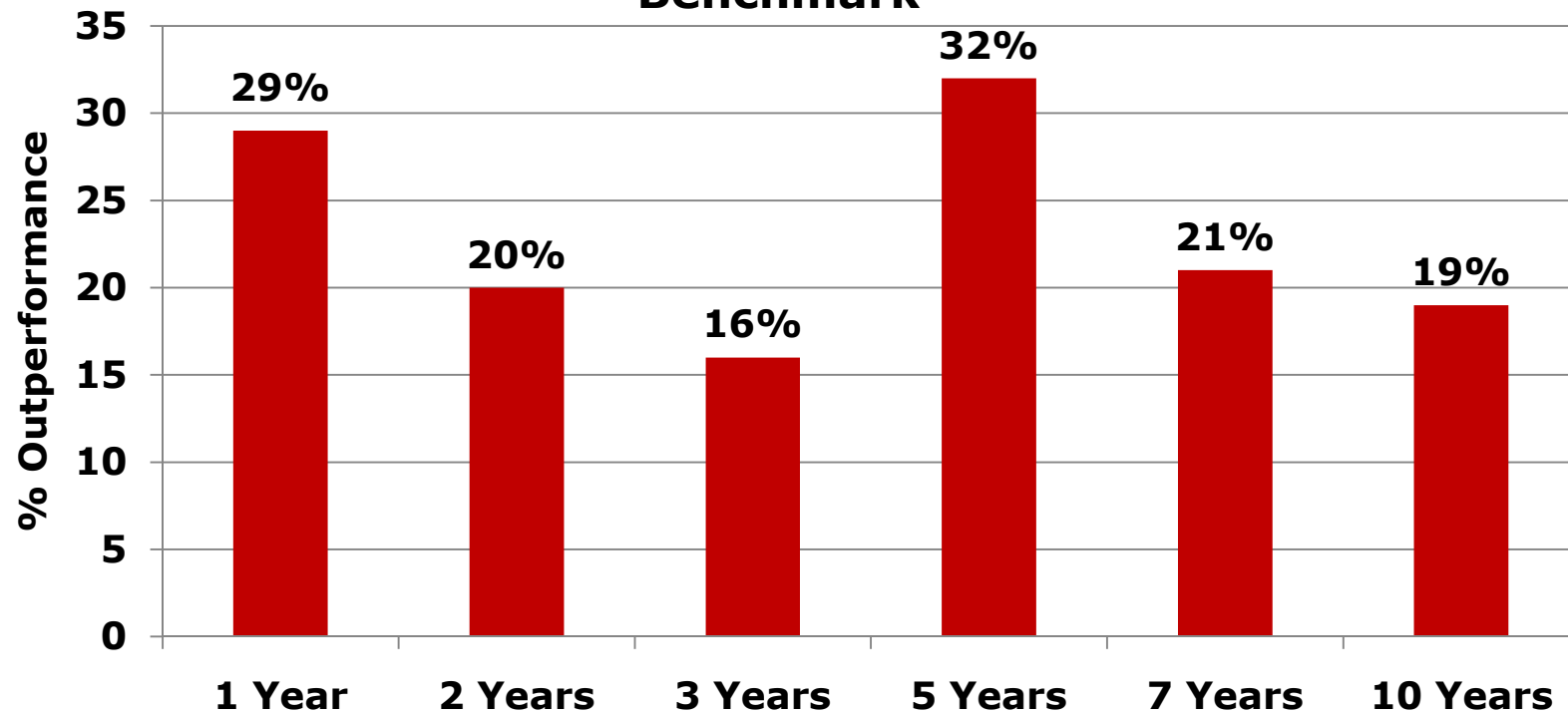
The Case for ETPs

■ **Low Costs**

- ❑ You buy an entire portfolio, but only pay trading costs once.
- ❑ Average management costs (Total Expense Ratios – TERs) for ETPs one-quarter to one-third those of actively managed unit trusts.
- ❑ No Securities Transfer Tax (STT) payments.
- ❑ Low cost platforms available for ETPs.

Why You Should Be Using ETFs/ETNs

Unit Trusts Beating the FTSE/JSE SWIX Index Benchmark



Source: "The Quest for Alpha" - D Wessels - DRW Investment Research (June 2013)

What ETFs/ETNs to buy?

Total SA equity market exposure (pure Beta)	Track the FTSE/JSE Top 40 .	<ul style="list-style-type: none"> • Satrix 40 ETF • BettaBeta EWT 40 ETF
Exposure to sectors of the market	Track Industrial, Financial, Resources, MidCap indices, etc.	<ul style="list-style-type: none"> • Satrix INDI 25 ETF • NewFunds eRAFI FINI 15 ETF • RMB MidCap ETF
Bonds	Track portfolios of SA Government bonds.	<ul style="list-style-type: none"> • Investec zGOVI ETF • RMB Inflation-X ETF
Property	Track listed Property indices.	<ul style="list-style-type: none"> • Proptrax SAPY ETF • Proptrax TEN ETF
Money Market	Invest in cash/near cash instruments	<ul style="list-style-type: none"> • NewFunds TRACI ETF • PrefEx ETF

Continued/...

What ETFs/ETNs to buy? (continued)

Foreign Equity Markets	Track main offshore indices in rands (rand denominated assets).	<ul style="list-style-type: none"> • DBX Tracker MSCI World ETF • DBX Tracker MSCI USA ETF • DB Emerging Markets ETN
"Smart" ETFs	Track indices with a "Theme" or "Style".	<ul style="list-style-type: none"> • Satrix DIVI ETF • Satrix RAFI 40 ETF • Nedbank BGreen ETF
Other Assets	Track physical commodity prices, currencies, etc.	<ul style="list-style-type: none"> • NewGold ETF, NewPlat ETF • Standard Bank Platinum-Linker or Palladium-Linker ETNs

Sample Portfolio

(R300 per month debit order in each ETP)

Sector	Fund	3 Year Total Return* (% per annum)	Current Value** After 3 Years (R)
Broad SA Equity	BettaBeta EWT 40 ETF	18,09%	14 417
JSE Sectors	Satrix INDI 25 ETF	30,32%	17 717
SA Bonds	RMB Inflation-X ETF	8,43%	12 326
Listed Property	Proptrax SAPY ETF	16,97%	14 154
Foreign Equity	DBX Tracker MSCI USA ETF	29,44%	17 453
TOTAL			76 067

* Total return with dividends reinvested over past 3 years.

** Current value (9 October 2013) for R1000 per month invested in each ETF.

Source: etfSA.co.za / Profile Data (25/10/2013).

Note: Historic returns may not be replicated in future.

Sample Portfolio

(R1000 per month debit order in each ETP)

Sector	Fund	3 Year Total Return* (% per annum)	Current Value** After 3 Years (R)
Domestic Equity	BettaBeta EWT 40 ETF	18,09%	48 056
JSE Sectors	Satrix INDI 25 ETF	30,32%	59 055
SA Bonds	RMB Inflation-X ETF	8,43%	41 085
Listed Property	Proptrax SAPY ETF	16,97%	47 178
Foreign Equity	DBX Tracker MSCI USA ETF	29,44%	58 176
TOTAL			253 550
*	<i>Total return with dividends reinvested over past 3 years.</i>		
**	<i>Current value (9 October 2013) for R1000 per month invested in each ETF.</i>		
Source:	<i>etfSA.co.za / Profile Data (25/10/2013).</i>		
Note:	<i>Historic returns may not be replicated in future.</i>		

Information on ETFs/ETNs



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ETFs | .00%) | [ETF db x-trackers DJ Euro Stoxx 50: 4037](#) ↑ 22.00 (0.55%) | [ETF db x-trackers FTSE 100: 10240](#) ↑ 65.00 (0.64%) | [ETF db x-t](#)

ETNs | 00%) | [ETN - Deutsche Bank MSCI China TRI: 3773](#) = 0.00 (0.00%) | [ETN - Deutsche Bank MSCI Emerging Markets TRI: 4080](#) = 0.00 (0.00%)

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Information on ETFs/ETNs (continued)

Using Passive ETPs?

August 2013 - Monthly etfSA.co.za

- ▶ South African ETF, ETN & Unit Trust Index Tracking Performance Survey

July 2013 - Monthly etfSA.co.za South

- ▶ African ETF, ETN & Unit Trust Index Tracking Performance Survey

What are the comparative costs of using investment plan platforms rather than online stockbrokers to transact ETPs?

- State of the South African Exchange
- ▶ Traded Product Industry Review - 2nd Quarter 2013

June 2013 - Monthly etfSA.co.za

- ▶ South African ETF, ETN & Unit Trust Index Tracking Performance Survey

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- ▶ Proptax, Satrix, Standard Commodity Linkers
- ▶ Transact online all ETFs/ETNs
- ▶ Low costs
- ▶ Easy Access & Switching
- ▶ From R300 per month
- ▶ From R1000 for lump sums

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EVERYTHING YOU NEED TO KNOW ABOUT ETFs & ETNs



Starting & Managing an Investor Club/ Stokvel

FICA REQUIREMENTS (to be sent to investment administrators)

- **Copy of Constitution / Founding Statement.**
- **Election Document / Letter for Representative / Authorised Person.**
- **Copy of Register of Investors.**
- **Copy of Club / Stokvel bank statement/cancelled cheque.**
- **FICA documents for Representative/Authorised Person.**
 - **ID**
 - **Proof of residence.**

Using ETPs In Investor Clubs / Stokvels

- **Less risk (more diversification) by using ETP portfolios to provide exposure to equities, bonds, listed property and other asset classes.**
- **Low costs do not eat into investment performance.**
- **Low investment minimums**
 - **Lump sum investments from R1000 for initial/additional investments**
 - **Can do debit orders from R300 per month/product.**
- **Quarterly dividends can be paid out or reinvested depending on choice of Club/Stokvel.**

Continued/...

The Advantages of Using an Investment Platform for ETPs

- Will accept investments from R1000.
- Will process debit orders from R300 per month.
- Automatically reinvests dividends four times a year.
- Administration fee (0,4% - 0,7% p.a.) is administered over 12 months and covers all transactions over that period.
- Will facilitate third party investments
- Ideal for Investor Clubs/Stokvels.
- Specialise in ETPs only.
- Financial advice can be provided for large portfolio investments.

Visit www.etfsa.co.za

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