



The Home of Exchange Traded Funds®



The Home of Retirement Funds

# ETFs and Your Wealth

**etfSA.co.za**  
**Investment Seminar**  
**November 2017**

**Nerina Visser**  
**ETF Strategist & Advisor**  
**etfSA.co.za**

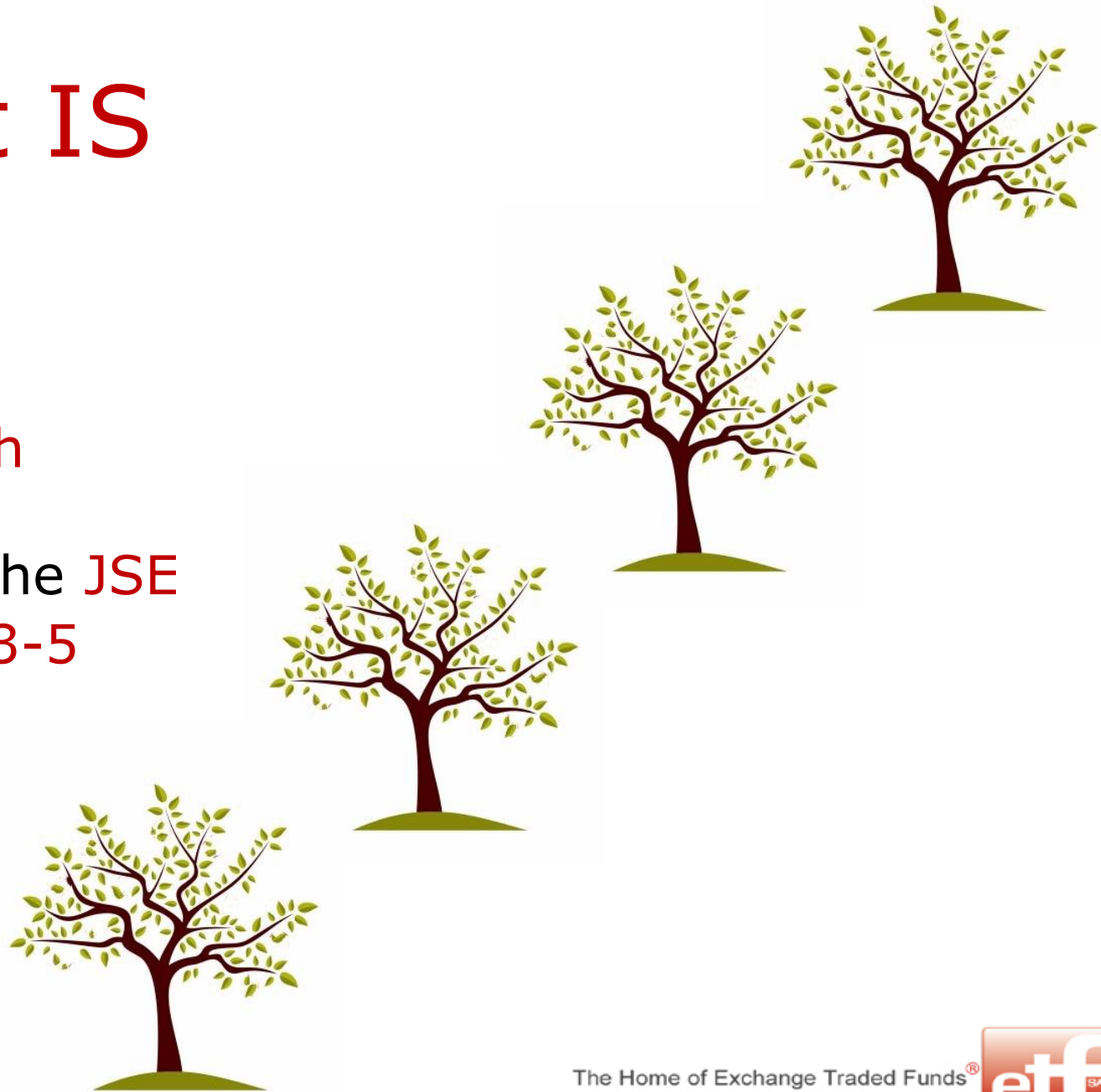
# ETFs – what it is NOT

- Investing in ETFs is **NOT**
  - **Get-rich-quick** scheme
  - Trading in **individual shares / companies**
  - **Forex** trading
  - Going to provide you with an **income** (immediately)



# ETFs – what it IS

- Investing in ETFs IS
  - Building up **wealth**
  - Buying a **share** of the **South African economy**
  - Getting part **ownership** of the **JSE**
  - Best left alone for at least **3-5 years**



# Savings vs. Investing

## ■ Saving

- Money that you plan to **spend** at some future date
- Key requirement is capital **preservation**

## ■ Investing

- Acquisition of **assets** that can **generate an income** in future
- Key focus is on capital **growth**

# Savings in the bank

- R100 in the bank
- 3% interest rate p.a.\*
- After one year you have R103
  
- Nothing more – Nothing less
  
- But inflation is  $>5\%^*$ , so your money is now worth less...

\* For example

# Investment in the stock market

- Buying **shares** in companies
- **R100** in the stock exchange
- **20%** rate of return p.a. **on average\***
- After one year you have **R120 on average**
- **BUT**
  - In a **bad** year you could **lose 20%** → R80
  - In a **good** year you could **get 35%** → R135

\* Last 50 years

# Buying shares in a company?



You **give money** to the owner(s) of the company



They **use it** to run the business and **make profits**



Some profits are **paid out** to investors as **dividends**



Some profits are used to **grow the business further**

# How do you make money from shares?

You earn **dividends** as long as you **own** the shares



You can make a **profit** when you **sell** the shares



# What do I get when I buy an ETF?

- A **package** deal
- A **box** of chocolates
- A **hamper** of goodies
  
- What is in the **hamper**?
  - Different **types** – Christmas, Valentine’s Day, Back-to-School
  - Every ETF has a ‘**theme**’, e.g. Resource companies, High dividend stocks, Inflation-linked bonds, Physical gold, etc.
  - Theme is defined by the **index** that the ETF follows / tracks



# How do you use ETFs in investments?

- Open an **investment account**
- Buy **ETFs** in the account
  
- You can't open a **tax-free ETF**
- You can't buy a **retirement ETF**
  
- You open a **tax-free account**, or open a **retirement annuity (RA) fund**,  
then **buy ETF(s)** in it

# Tax Free Investment Account

## ■ Benefits

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

## ■ Disadvantages

- Annual (R33,000) and lifetime (R500,000) contribution limits
- Restrictions on underlying investments, e.g. only ETFs/unit trusts without performance fees

## ■ Who?

- Only individuals, SA residents (SA bank account)

# Retirement Annuity Fund

## ■ Benefits

- No tax *inside* fund – no capital gains tax, no dividend withholding tax, no interest tax
- Tax deductibility of contributions, within limits

## ■ Disadvantages

- Only accessible at 55, unless specific, exceptional circumstances
- Restrictions on underlying investments (Reg. 28), e.g. limits offshore (25%) and equity (75%) exposures

## ■ Who?

- Only individuals, registered for tax in SA

# Regular Investments etfSA Investor Plan<sup>®</sup>

## ■ Benefits

- No contribution limits
- No constraints on underlying investments

## ■ Disadvantages

- No tax benefit on contribution
- No tax benefit on withdrawal

## ■ Who?

- Anyone – individuals, clubs, stokvels, trusts, companies, third party investments, joint accounts, etc.



# What is the best ETF to buy?



The Home of Exchange Traded Funds®



# Choosing ETFs for Different Investment Requirements

- What is your investment **time horizon**?
  - **Risk** (variability) of selected investments **must match**
    - Short time  $\equiv$  Low risk vs. Long time  $\equiv$  High risk
- **How much** do you want to invest?
  - Ensure the **number** of investments (ETFs) is **cost effective**
    - Lump sum
    - Debit order
- **What do you need** from your investment?
  - Income
  - Capital Growth
  - Rand-hedged
  - Diversification

# Three basic building blocks for long term wealth creation

South African shares



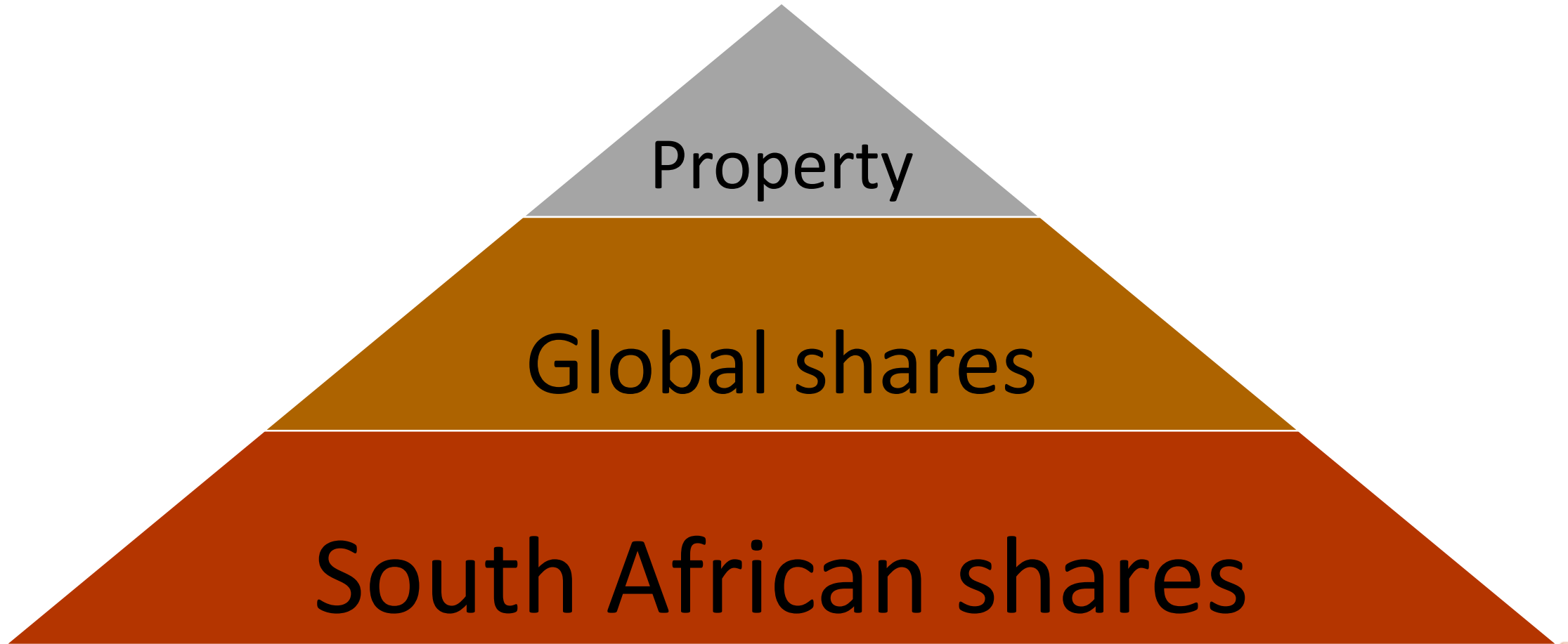
# Three basic building blocks for long term wealth creation



Global shares

South African shares

# Three basic building blocks for long term wealth creation



# South African shares

Broad-based, large cap domestic equities

- FTSE/JSE **Top 40** Index
  - Satrix 40, Stanlib Top 40, Ashburton Top 40, Sygnia Top 40
- FTSE/JSE **SWIX 40** Index
  - Satrix SWIX, Stanlib SWIX, NewFunds SWIX 40, Sygnia SWIX 40
- S&P Capped SA **Top 50** Index
  - CoreShares Top 50

# South African shares

## Broad-based, large cap domestic equities

- FTSE/JSE Top 40 Index
  - Satrix 40, Stanlib Top 40, Ashburton Top 40, Sygnia Top 40
- FTSE/JSE SWIX 40 Index
  - Satrix SWIX, Stanlib SWIX, NewFunds SWIX 40, Sygnia SWIX 40
- S&P Capped SA Top 50 Index
  - CoreShares Top 50 (CTOP50)

*Lowest cost (TER)  
Most diversified*

# Global shares

## International equities

### ■ Global

- Sygnia Itrix MSCI World, Satrix MSCI World

### ■ Country-specific

- **USA**: Sygnia Itrix MSCI US, CoreShares S&P500, Satrix S&P500, Sygnia Itrix S&P500
- **UK**: Sygnia Itrix FTSE 100
- **Europe**: Sygnia Itrix EuroStoxx 50
- **Japan**: Sygnia Itrix MSCI Japan

### ■ Regional

- Satrix MSCI **Emerging Markets**; Cloud Atlas **Africa ex-SA** Big 50

# Global shares

*Developed markets  
Lowest cost (TER)*

## International equities

- Global
  - Sygnia Itrix MSCI World, Satrix MSCI World (STXWDM)
- Country-specific
  - USA: Sygnia Itrix MSCI US, CoreShares S&P500, Satrix S&P500, Sygnia Itrix S&P500
  - UK: Sygnia Itrix FTSE 100
  - Europe: Sygnia Itrix EuroStoxx 50
  - Japan: Sygnia Itrix MSCI Japan
- Regional
  - Satrix MSCI Emerging Markets; Cloud Atlas Africa ex-SA Big 50

# Listed Property

## Listed Real Estate Investment Trusts (REITs)

- SA Listed Property, SA primary listing
  - CoreShares Proptrax SAPY, Stanlib Property
- SA Listed Property, SA primary listing, Equally Weighted
  - CoreShares Proptrax Ten
- SA Listed Property, primary listing anywhere
  - Satrix Property
- Global Property
  - CoreShares Global Property

# Listed Property

## Listed Real Estate Investment Trusts (REITs)

- SA Listed Property, SA primary listing
  - CoreShares Proptrax SAPY, Stanlib Property
- SA Listed Property, SA primary listing, Equally Weighted
  - CoreShares Proptrax Ten
- SA Listed Property, primary listing anywhere
  - Satrix Property
- Global Property
  - CoreShares Global Property

*Lowest cost (TER)  
Most diversified*



# Closing Thoughts

- Understand **what you want / need** from your investments
- **Select** underlying investments (ETFs) and account type based on your requirements
- **Stick to your plan** – don't chop and change because of short term performance

There are now **83** different Exchange Traded Products (ETPs) listed on the JSE, and **more coming** all the time – **complexity** is increasing

**etfSA.co.za is here to help you**

# Question time...



# Contact Details

<b>Regular Investments</b>	010 446 0371	info@etfsa.co.za
<b>Tax Free Investment Accounts</b>	010 446 0371	taxfree@etfsa.co.za
<b>Retirement Annuity Funds</b>	010 446 0374	rafunds@etfsa.co.za
<b>Living Annuity Funds</b>	010 446 0374	lafunds@etfsa.co.za
<b>Portfolio Management Service</b>	010 446 0372	portfolios@etfsa.co.za
<b>Mike Brown</b> Managing Director 010 446 0377 mikeb@etfsa.co.za		<b>Nerina Visser</b> ETF Strategist 010 446 0376 nerinav@etfsa.co.za
Website: <a href="http://www.etfsa.co.za">www.etfsa.co.za</a>		Twitter: @etfSA @Nerina_Visser

# Disclaimer

© **etfSA.co.za**: The Exchange Traded Products (ETPs) contained herein are mainly Collective Investment Schemes in Securities (CIS) and other listed securities which are generally medium to long-term investments that contain elements of risk and can be affected by market values, interest rates, exchange rates, volatility, dividend yields and issuer credit ratings. ETPs are listed on the Johannesburg, or other Stock Exchanges, and trade at ruling prices on such Exchanges.

The price of ETPs can go up as well as down and past performance is not necessarily a guide to the future. The ETPs herein are listed on the Johannesburg Stock Exchange Limited and trading in ETP securities will incur trading and settlement costs. ETF securities are traded at ruling prices and can engage in scrip lending.

The information and opinions provided herein are of a general nature and do not constitute investment advice. Whilst every care has been taken, no representation, warranty or undertaking, expressed or implied, is given as to the accuracy or completeness thereof. etfSA.co.za is managed by M F Brown, who is a registered financial services provider (FSP No. 39217). M F Brown has Professional Indemnity Insurance as required by FAIS.

The etfSA Investment Services Company (Pty) Ltd (FSP No 40107) provides asset management as well as financial intermediary and advice services. It uses Exchange Traded Products to construct portfolios for use in Retirement Annuity, Tax Free and Discretionary investments. It holds Professional Indemnity insurance and Fidelity Guarantee insurance as required by FAIS.

All opinions and information in this document may be changed at any time without notice. Redistribution, reproduction, the resale or transmission to any third party of the contents of this document, whether by email, newsletter, internet or website, is only possible with the written permission of etfSA.

etfSA.co.za, its sponsors, administrators, contributors and product providers disclaim any liability for any loss, damage, or expense that might occur from the use of or reliance on the data and services provided through this document.

etfSA.co.za® and etfSA The Home of Exchange Traded Funds® are registered trademarks in the Republic of South Africa.