

State of the South African Exchange Traded Product (ETP) Industry – as at 30 September 2022

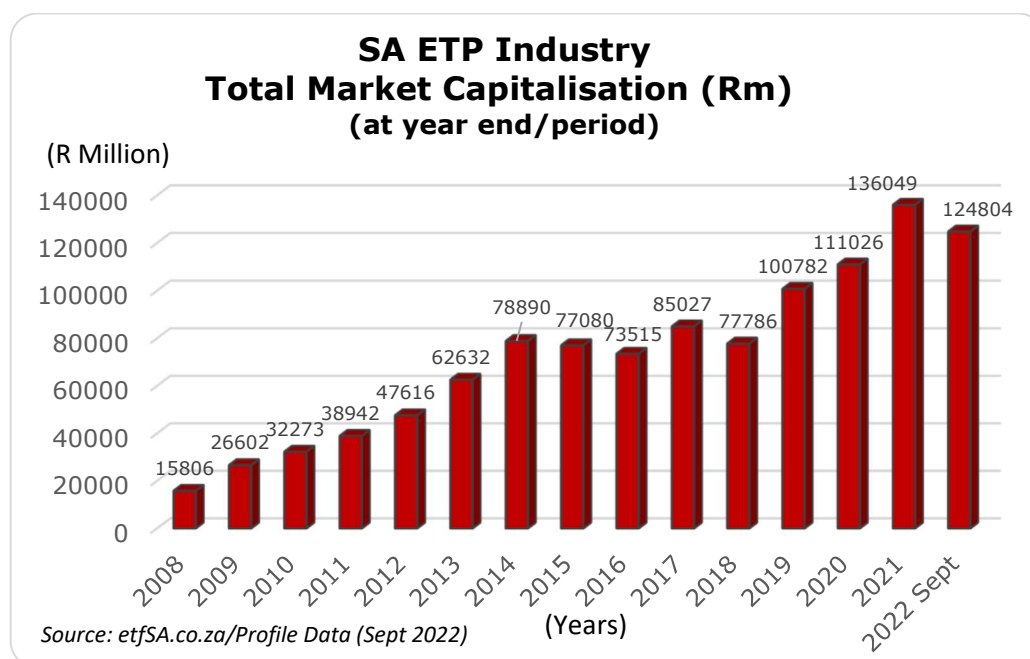
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INDUSTRY OVERVIEW

The total market capitalisation of all Exchange Traded Products (both ETFs and ETNs), listed on the JSE, at end of September 2022, amounted to R124 803,6 million. This constituted a slight improvement on the market cap figures at end June 2022, but still signifies a fall of 8,3% on the R136 049 million total market cap at the end of 2021.

The decline in the total size of the ETP industry in South Africa is a consequence of the poor performance in global and bond markets, both locally and abroad, to date in 2022.

More than 70% of the value of all ETPs, listed in South Africa, constitute the tracking of foreign referenced indices or assets. Whilst the depreciation of the rand against the US dollar (by some 14%) so far this year, has dampened the negative impact on such ETP products, which trade in rands, this has not fully offset the weakness in global markets.



The number of Exchange Traded Products, listed on the JSE, has continue to grow, rising from 168 at the end of 2021 to 175 at the end of September 2022. The SA ETP industry is continuing to expand capacity at a steady pace, as shown in the table below.

Number of Products in Issue				
(end of period)				
	2019	2020	2021	September 2022
Exchange Traded Funds (ETFs)	73	78	86	93
Exchange Traded Notes (ETNs)	29	59	82	82
Totals	102	137	168	175

The Johannesburg Stock Exchange has recently announced new listing requirements for additional ETP products. These include Actively Managed Exchange Trust Funds (ETFs), as well as Actively Managed Certificates (AMCs), both accommodated within Section 19 of the JSE Listing Requirements. This expansion of the listing parameters for exchange listed products, should, in due course, lead to a further phase of new product development.

New Capital Raised

The market capitalisation of ETPs can be affected, not only by changes in the prices or NAVs of the securities, already in issue, but also by new issues or redemptions of ETP securities on the exchange. ETPs, are of course, open-ended instruments and the issuers of these products can meet market demands by a process of creation/redemption of securities at any stage.

The ETP industry has remained active in the issue/redemption process in 2022. In total, a net amount of R2 776,2 million new capital was raised in the first 9 months of this year.

The attached table, showing the total capital raised or redeemed by each of the 10 issuing houses, reflects a mixed picture. Sygnia Itrix, overtook Satrix, as the largest fund raiser for this period, although it was a close race: R2 795,5 million for Sygnia, versus R2 439,6 million for Satrix.

This positive impact was partly offset by redemptions of many commodity based ETPs by Absa Capital (minus R2 617,9 million) and Invest (minus R744,1 million).

New Capital Raised / Redeemed - South African ETP Issuing Houses For the First Nine Months of 2022		
Issuing House		Total Capital (R million)
1.	Sygnia Itrix (ETFs)	2 795,5
2.	Satrix Managers (ETFs)	2 439,6
3.	CoreShares (ETFs)	437,0
4.	FNB (ETFs)	240,5
5.	FNB (ETNs)	175,0
6.	Absa Capital (NewWave ETNs)	50,5
7.	Cloud Atlas (ETFs)	0,1
8.	1invest (ETFs)	(744,1)
9.	Absa Capital (NewFunds ETFs, NewGold ETFs)	(2 617,9)
Total		2 776,2
<i>Source: etfSA.co.za Quarterly Securities in Issue and New Capital Raised Survey September 2022).</i>		

Looking at the capital raised or redeemed (paid out) for individual ETFs/ETNs, the dominance of Sygnia Itrix and Satrix remains intact. The most successful individual product, in terms of raising new capital, was the Sygnia Itrix Emerging Markets 50 ETF, despite the relatively poor investment returns from emerging markets. This probably indicates some pre-emptive buying by investors, looking for eventual recovery in emerging nation equity markets.

S&P 500 indices trackers, issued by Satrix and Sygnia Itrix and others, also grew substantially, which probably reflects some buying at the supposed bottom of the market by investors, looking to purchase this bellwether index at attractive prices.

At the other end of the scale, significant sales of gold and other precious metal ETFs took place at regular intervals which could reflect profit-taking, on reactions to the apparently widescale belief that the commodity price cycle may have peaked after the Soviet invasion of Ukraine.

Individual ETF/ETN Listings For First 9 Months of 2022			
ETF/ETN	Amount (Rm)	ETF/ETN	Amount (Rm)
Sygnia Itrix Emerging Markets 50 ETF	1 025,1	Sygnia Itrix S&P 500 ETF	339,8
Sygnia Itrix FTSE 100 ETF	722,6	Satrix Capped INDI ETF	(364,3)
Satrix S&P 500 ETF	654,6	1invest Palladium ETF	(984,3)
Satrix 40 ETF	612,4	NewGold ETF	(1 509,4)
NewFunds GOVI ETF	480,3	NewGold Platinum ETF	(1 546,3)
<i>Source: etfSA.co.za Quarterly Securities in Issue and New Capital Raised Survey September 2022).</i>			

Snapshot of the SA ETP Industry as at 30 September 2022

The South African Exchange Traded Product Industry (as at 30 September 2022)						
	Issuer	Number of Products		Value (Market Cap) of Shares in Issue (Rm)		Total Market Capitalisation (Rm)
		ETFs	ETNs	ETFs	ETNs	
1.	Satrix Managers	26	-	34 414,4	-	34 414,4
2.	Sygnia Itrix	14	-	31 214,4	-	31 214,4
3.	Absa Capital	18	5	27 216,1	1 771,1	28 987,2
4.	FNB/FirstRand	8	42	6 055,6	2 628,7	8 810,0
5.	Invest	16	-	7 010,8	-	7 010,8
6.	CoreShares	9	-	5 752,3	-	5 753,3
7.	UBS	-	31	-	5 137,6	5 137,6
8.	Investec	-	2	-	2 282,5	2 282,5
9.	Standard Bank	-	2	-	1 187,9	1 187,9
10.	Cloud Atlas	2	-	5,5	-	5,5
Totals		93	82	111 670,1	13 133,5	124 803,6
Source: etfSA.co.za / JSE / Profile Data (30/9/2022).						

Satrix Managers – now has a clear lead in the South African industry, in terms of market capitalisation. It has 26 ETFs in issue with a total market capitalisation of R34,4 billion

Satrix has issued 3 new ETFs to date this year, namely the **Satrix MSCI India ETF**, **Satrix Healthcare Innovation ETF** and **Satrix Smart City Infrastructure ETF**. The last two are thematic ETFs, tracking an index of companies involved in specific areas of industry. These ETFs have become popular globally and seek to track mega-trends or themes that are likely to shape the future global economy. To date, these two thematic ETFs have gained little traction, but they are a reflection of Satrix's search for new investment products that could reward investors over time.

The Satrix MSCI India ETF, listed in February 2022, has been quite successful, raising R163 million in new capital and provide the best investment returns to date this for an emerging market ETF.

Sygnia Itrix – continues to consolidate its position as the second largest issuer of ETFs in South Africa. It now has 14 ETFs in issue with a total market capitalisation of R31,2 billion.

In April 2022, Sygnia Itrix listed its latest ETF, the **New China Sectors ETF**. Unlike most Chinese indices, which focus on the high tech and financial sectors, the Sygnia Itrix New China fund, concentrates on the consumer, communications and healthcare sectors in China. Given the rapid growth in the Chinese middle class and the government strategy of improving the living standards for the general Chinese population, this ETF provides an alternative way of benefitting from the undaunted future potential growth of the Chinese economy.

The Sygnia Itrix New China Sectors ETF has, to date, raised R272,3 million in new capital.

Absa Capital – once the undoubted leader in the South African ETP industry, Absa has paid the price for its primary focus on commodity based ETFs. The cyclical nature of the commodity industry has impacted on the demand for these products and the past two years have seen significant reductions in the number of NewGold securities in issue, not only for gold, but also platinum and palladium.

The direct exposure to precious metal prices, with the convenience of purchasing such tracker products on the JSE, with no exchange control restrictions for many investors, remains highly attractive. Absa has experienced this cyclical ebb and flow in demand for such products in the past (NewGold ETF was first issued in 1993) and this oscillating impact on the size of this sector of the ETF industry will probably continue.

It is understood that the transfer of the other ETFs in the Absa Capital stable, that are not commodity based, to Sanlam, will be finalised in the near future. Absa Asset Management agreed to the sale of some of its assets under management and administration to Sanlam some time ago, but the finalisation of this deal has taken time to reach conclusion. This will leave Absa with only its 3 commodity ETFs and 5 ETNs and it will be interesting to see what future plans they have for this part of their business.

Invest – like Absa, Invest, which is the generic brand for the Standard Bank/Stanlib ETFs, also issues commodity referenced ETFs and they have also experienced significant reductions in the shares in issue for such ETFs.

However, Invest has demonstrated their future commitment to the ETP industry by recently issuing 3 new ETF products. The three products are:

- **Invest MSCI Emerging Markets Asia ETF** which tracks an index of stocks listed across 8 Asian countries, namely China, India, Indonesia, South Korea, Malaysia, the Philippines, Taiwan and Thailand. The MSCI index has over 1 100 constituents and covers some 85% of the free-float-adjusted market capitalisation of these regions.

- The **Invest MSCI World SRI ETF**, provides global coverage of developed market companies with outstanding Environmental, Social and Governance (ESG) ratings, minimal socio-political controversies, and climate change-based criteria.
- The **Invest ICE US Treasury Short Bond ETF**, targets exposure to US Treasury bills and bonds with maturities of less than 1 year. It specifically offers exposure to flexible interest rate products, which are experiencing rising interest rate yields in response to the tightening of monetary policy by the US Federal Reserve.

First National Bank (FNB) – First Rand have consolidated all of their ETFs and ETNs under a single FNB structure resulting in 9 ETFs and 42 ETNs now listed under this brand. With 50 products FNB is the issuer of the most ETF products in South Africa, although with R8,8 billion market capitalisation, FNB is only fourth in terms of market capitalisation size.

The FNB brand has demonstrated an innovative approach in recent years. As well as conventional ETFs tracking both global and local equities and bonds, they have also introduced single stock tracking ETNs to the South African market place. These single stock ETNs provide local access to 17 of the best-known and highly traded US companies, with the convenience of inward listed regulations allowing unlimited access to such products without exchange control restrictions for individual and corporate investors.

Note: full details for each Exchange Traded Fund and Exchange Traded Note are available on the quarterly reports available on the etfSA website: www.etfsa.co.za:

- All South African ETFs & ETNs – Market Capitalisation Totals – December 2009 to September 2022.
- ETFs & ETNs survey – Securities in Issue and New Capital Raised/Redeemed (for period ended 30 September 2022).



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