

ETNs and ETFs compared

General product features common to ETFs and ETNs are:

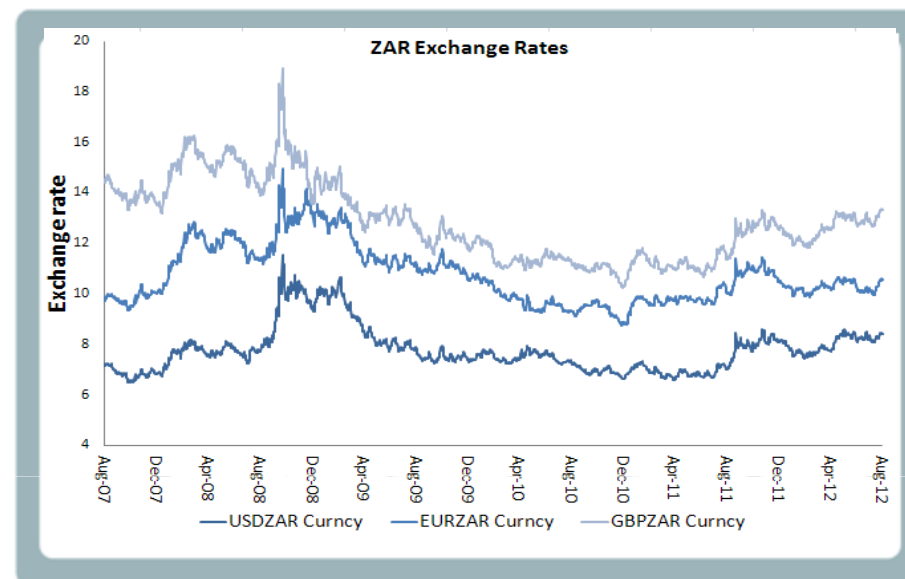
1. Listed and exchange traded
2. Easily accessible investment vehicles offering exposure to a wide range of asset classes
3. Low tracking error
4. Daily redeemable to issuer subject to terms and conditions

Specific feature of ETNs is that the Investor owns a note, exposing the investor to the credit risk of the issuer

	NewWave ETNs	ETFs
Tenor	Quasi-perpetual (10 - 30 years)	Perpetual
Liquidity	Daily on exchange	Daily on exchange
Recourse	Issuer credit (Absa)	Portfolio of assets
Principal risk	Market and issuer risk	Market risk
Tracking error	Low tracking error (only fees)	Low tracking error (fees and rebalancing costs)
Issuer subscription and redemption	Both subscription and redemption in block size	Only redemption in block size
Pricing and trading	Market maker on the exchange	Market maker on the exchange

NewWave Currency ETNs

- Each USD, EUR and GBP ETN equals a fixed principal amount of 1 in the respective currency
- Each ETN will accrue interest on a daily basis at the overnight LIBOR rate minus an applicable interest rate spread
- Interest will be distributed on a semi annual basis
- Absa manages its risk under the Currency ETNs by purchasing the underlying reference currency from the market and places this with the Absa Foreign currency money market desk on deposit earning overnight LIBOR minus an applicable interest rate spread.
- Fees: No fees are charged, the Issuer earns an interest rate spread



FUND FACTS (31 August 2012)

Note	NAV per note	Interest Rate Spread
NewWave US Dollar	8.41	10%
NewWave GBP	13.32	10%
NewWave Euro	10.58	20%

Annualised Returns of ZAR Exchange Rates

Annualised return	1 Year	2 Year	3 Year	5 Year
USD/ZAR Exchange Rate	20.14%	7.35%	2.08%	3.32%
EUR/ZAR Exchange Rate	5.85%	6.32%	-2.06%	1.65%
GBP/ZAR Exchange Rate	17.52%	8.64%	1.37%	-1.57%

NewWave currency ETN vs. currency deposits

- Similar economically, but:
- Wholesale currency conversion rates vs. retail conversion rates **(the difference in the bid/offer price tend to be around 1.5 – 2% cheaper on both the buy and sell side.**
- Wholesale interest rates vs. retail interest rates **(Overnight Libor vs LIBID retail vs wholesale)**
- No exchange control limitations vs. part of offshore allowance
- Same exposure to credit risk

NewWave currency ETN Price Calculation

The Price on any relevant calendar day shall be determined as follows: $P = (PA + I) \times \text{relevant exchange rate}$

“ PA ” means the Principal Amount per note

“ I ” means the accrued interest calculated daily and distributed

Where Interest = $PA \times i \times T$

i = interest rate (Libor - interest rate spread)

$T = n/360$ where days are equal to the number of days in the overnight period, which is generally one day except over weekends or public holidays.

Simple Example of a USD ETN

- USD Overnight LIBOR (average rate since listing) = 0.1560%
- Int Rate Spread= 0.10%
Therefore **$i = 0.56\%$**
- Principal Amount per Note = \$1.00
- Interest Period = 173 days
- Daily Interest Calculation = $1 \times 0.00056 \times (1/360) = 0.00000156$
- Total Accrued Interest = $0.00000156 \times 173 = 0.0002691$

Thus

$$P = 1 + 0.0002691 = 1.0002691 \times 8.4068 = R8.4091$$

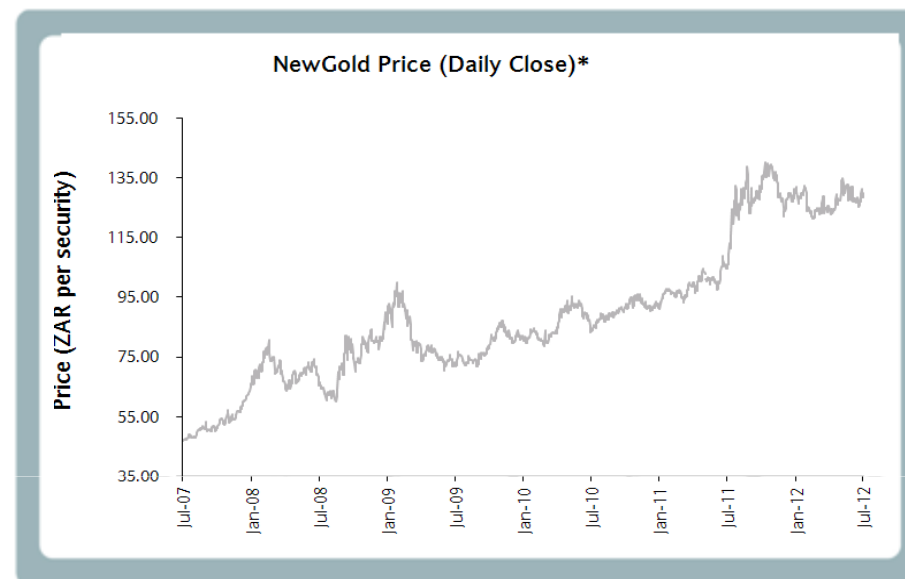
NewGold

The NewGold ETF gives investors the opportunity to benefit from the performance of the value of gold. It is listed and traded on the JSE and fully backed by physical gold.

NewGold is:

- the **only ETF in SA linked to the price of gold**;
- the largest ETF in SA;
- the most efficient, cost effective and secure way for South Africans to invest in gold – **annual fee only 0.4%***

In March 2008, Absa Bank’s Shari’ah Board, issued a ruling stating that the NewGold ETF is **Shari’ah compliant**. As such, it is in line with Islamic principles of ethical investing.



FUND FACTS (31 July 2012)

JSE Code	GLD
ISIN	ZAE000060067
Listing Date	02 Nov 04
Net asset value	R 17,775,035,370
No of issued securities	136,836,300
No of tonnes	41.26
No of ounces	1,326,508

Affiliated with 

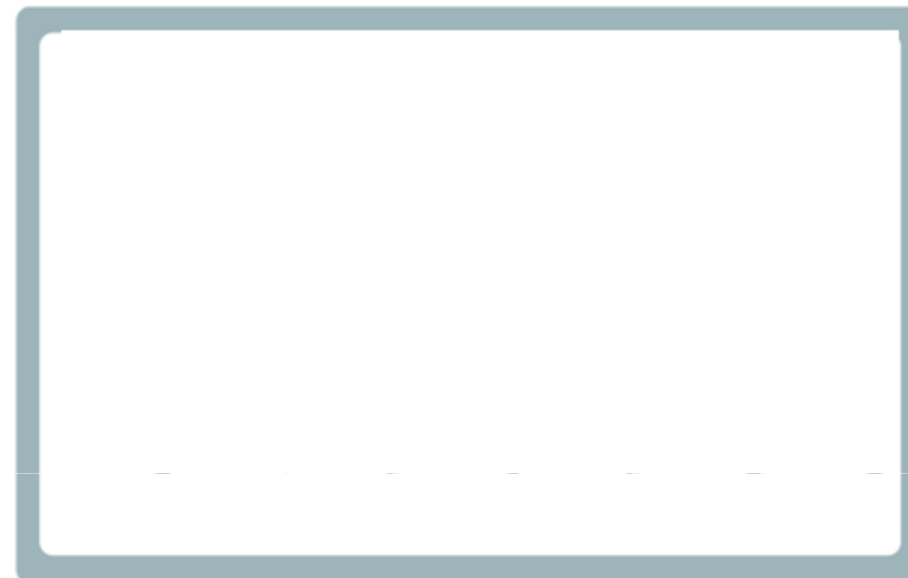
ETF Performance as at 31 July 2012

Annualised return	1 Year	2 Year	3 Year	Since inception
NewGold	22.55%	24.76%	21.66%	22.89%

NewWave Platinum ETN

The NewWave Platinum ETN is designed to provide investors with cost-effective exposure to the spot price of platinum in Rands.

- Listed on the JSE
- The only note on the JSE that tracks the spot value of Platinum
- Annual management fee/TER is 0.4%
- Each security represents 1/100th of an ounce of platinum bullion less the daily accrued management fee



FUND FACTS (31 August 2012)

JSE Code	NEWPLTJ.J
ISIN	ZAE000162590
Listing Date	12 Mar 12
Net asset value	R 64,529,320
No of issued securities	508,305
NAV per security	R 126.95

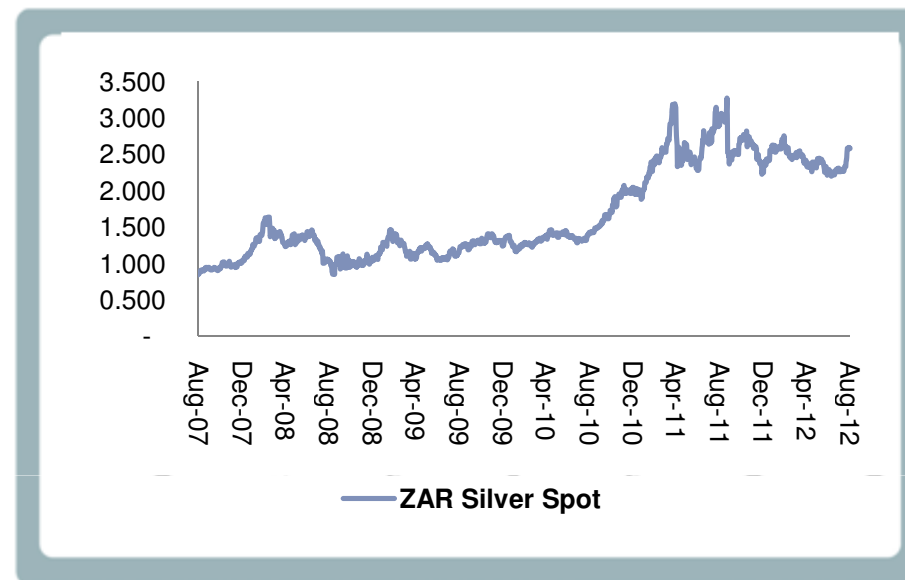
Performance as at 31 August 2012

Annualised return	1 Year	2 Year	3 Year	5 year
Platinum ZAR Spot	-1.49%	6.75%	9.50%	7.09%

NewWave Silver ETN

The NewWave Silver ETN is designed to provide investors with cost-effective exposure to the spot price of silver in Rands.

- Listed on the JSE
- The only note on the JSE that tracks the spot value of silver
- Annual management fee/TER is 0.4%
- Each security represents 1/100th of an ounce of platinum bullion less the daily accrued management fee



FUND FACTS (31 August 2012)

JSE Code	NEWSLVJ.J
ISIN	ZAE000162566
Listing Date	12 Mar 12
Net asset value	R 3,480,942
No of issued securities	1,354,452
NAV per security	R 2.57

Performance as at 31 August 2012

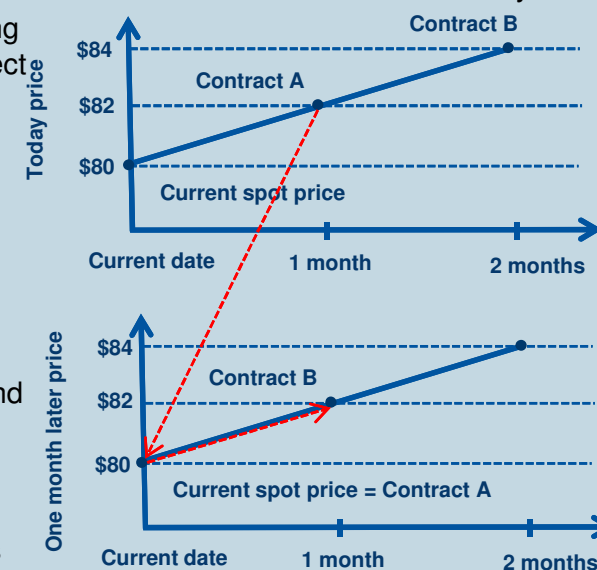
Annualised return	1 Year	2 Year	3 Year	5 year
Silver ZAR Spot	-11.23%	35.70%	29.53%	24.53%

NewWave Precious Metals ETNs innovation

- The NewWave Precious Metal ETNs are the first ETNs in the SA market that reference the spot price of precious metals. Absa Capital purchases the underlying bullion for settlement and holds it in an unallocated bullion account.
- Other ETNs currently listed in the SA market track performance of the underlying futures indices. This exposes investors to an additional risk of the futures index underperforming the spot price due to negative roll yield.

Roll yield in traditional commodity investments

- Investors have traditionally gained exposure to commodity markets via products listed to futures contracts. This avoids the impracticalities of holding and storing the physical asset.
- When a futures contract approaches its expiry, investors holding the futures contract will need to roll their position in the current futures contract into the next futures contract. The return generated by holding to maturity and rolling of the futures contract is known as the roll yield.
- As an example, the top diagram on the right shows the futures curve for a commodity (assuming futures price of a commodity higher than the spot price – the **contango**). It shows that in respect of today: the spot price of the commodity is \$80; the price of the front month futures contract (contract A) is \$82; the price of the second month futures contract (contract B) is \$84.
- In a month's time, contract A will have reached its delivery date, i.e., the value of the expiring contract A should be equivalent to the prevailing spot price. Similarly, contract B will now have one month to its delivery date and be the front month futures contract.
- If we assume that all else being equal in the futures curve of the commodity, then the bottom diagram will illustrate the new pricing of contract B after one month.
- This is an illustration of **negative roll yield** – here investor loses \$2 in one month by holding and selling contract A even though the spot price did not move. If the futures prices are lower than the spot price, we say that the curve is in **backwardation** and the investor experiences the **positive roll yield**.
- Futures indices are based on the assumption that the underlying futures contracts are rolled as described.



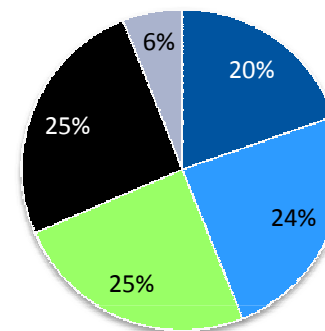
TRACI ETF

The NewFunds TRACI ETF tracks the performance of the Barclays Capital/Absa Capital ZAR Tradable Cash (TRACI) Index (three month) – total return. The TRACI 3m Index measures the mark-to market value of the income earned from rolling a money market deposit for a 3 month maturity on a monthly basis.

The index is made up of four 3-month bank deposits, including Rand Merchant Bank, Nedbank, Standard Bank and Investec with a residual in an Absa Call Account.

All interest received is reinvested into the fund by the acquisition of additional ETF units (in the weightings of the Cash Index) so as to increase the net asset value of the portfolio and consequently increase the value of each unit.

TRACI ETF CASH HOLDINGS



- RAND MERCHANT HOLDING
- NEDBANK
- STANDARD BANK
- INVESTEC
- ABSA CALL ACCOUNT

FUND FACTS (31 August 2012)

JSE Code	NFTRCI
ISIN	ZAE000162251
Listing Date	26 Jan 12
Net asset value	R 20,753,479
Last month TER annualised	0.18%

ETF Performance as at 31 August 2012

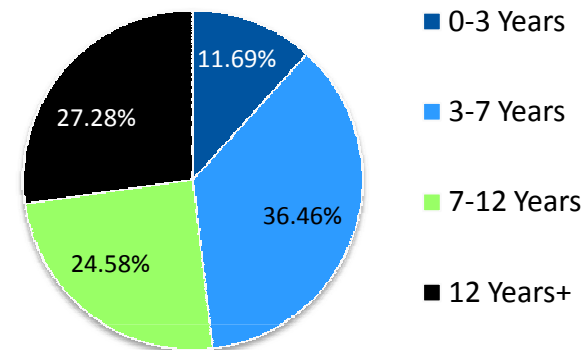
	TRACI ETF
Realised Yield since Inception	5.42%

GOVI ETF

The GOVI ETF tracks the total return version of the South African Bond Total Return Index, an index consisting of bonds issued by the South African Government which includes only those issues in which the Department of Finance obliges the primary dealers to make a market and constituting the GOVI Index and calculated daily by the JSE.

All coupons received are reinvested into the fund by the acquisition of additional ETF units (in the weightings of the GOVI Index) so as to increase the net asset value of the portfolio and consequently increase the value of each unit .

Maturity Bands



FUND FACTS (31 August 2012)

JSE Code	NFGOVI
ISIN	ZAE000161949
Listing Date	26 Jan 12
Net asset value	R 39 012 340
Last month TER annualised	0.28%

ETF Performance as at 31 August 2012

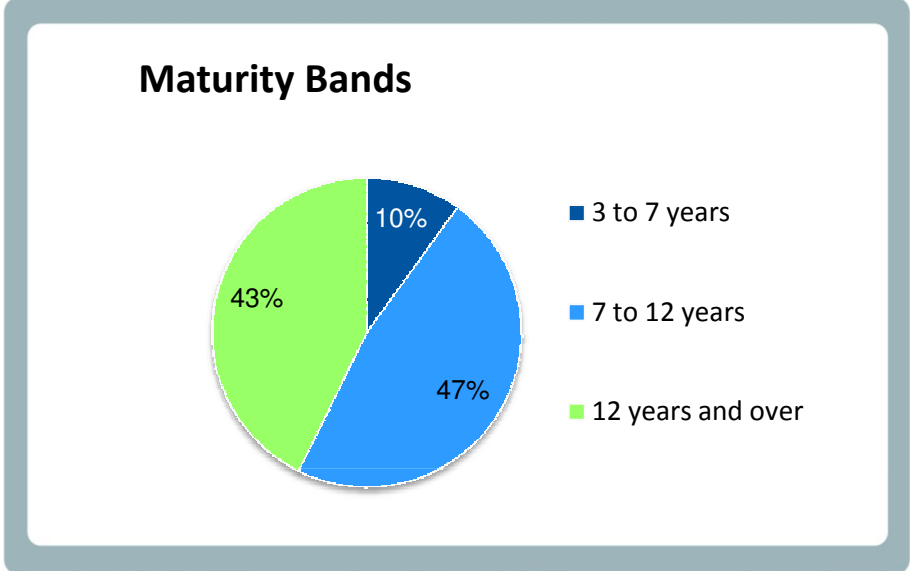
	GOVI ETF
Realised Yield since Inception	8.77%

ILBI ETF

The ILBI ETF tracks total return version of the Barclays Capital/Absa Capital South African Government Inflation-Linked Bond Index, an index consisting of bonds issued by the South African Government which are linked to the South African Consumer Price Index.

ILBs differ crucially from conventional bonds in that the nominal value of the notional changes, in line with the CPI. Thus the real value, not the nominal value, of the bond's notional remains constant. As coupons are expressed in terms of the notional, they too increase in line with the CPI.

All coupons received are reinvested into the fund by the acquisition of additional ETF units (in the weightings of the ILBI Index) so as to increase the net asset value of the portfolio and consequently increase the value of each unit .



FUND FACTS (31 August 2012)

JSE Code	NFILBI
ISIN	ZAE000162244
Listing Date	26 Jan 12
Net asset value	R 47 042 741
Last month TER annualised	0.29%

ETF Performance as at 31 August 2012

	ILBI ETF
Realised Real Yield since Inception	3.34%

etf.absacapital.com – one place to find all you want to know about Absa Capital's ETFs



The screenshot shows the website's homepage with the following elements:

- Navigation:** HOME, LEARN, HOW TO INVEST, PRODUCTS, TOOLS, NEWS, SUBSCRIBE, DOWNLOADS, ABOUT US. A search bar for "SEARCH ABSA CAPITAL" is also present.
- Main Banner:** "#1 Exchange Traded Funds" with a checkmark icon and a "Risk South Africa Rankings 2011" badge. Text below reads: "ABSA CAPITAL VOTED #1 AGAIN in the Exchange Traded Funds category in the annual Risk South Africa Rankings survey". Buttons for "Take a Tour" and "Product List" are included.
- Sign-up Form:** "KEEP UP TO DATE WITH OUR ETFs" with fields for "E-mail" and "Contact no." and a "Sign up" button.
- ETF News:** "ETF NEWS" section with two articles:
 - 06 October 2011: Absa Capital retains top overall bank in annual Risk survey. Absa Capital, the corporate and investment banking division.
 - 25 May 2011: Absa Capital's multi-asset exchange traded funds listed. MAPPS offer exposure to equities, bonds, cash and...
- Learn about ETFs:** "What are ETFs?" (Find out more about Exchange Traded Funds) and "ETF Glossary" (All jargon to you? Look it up in the glossary. Get definitions about Exchange Traded Funds).
- ETF Research Tools:** "ETFs Interactive Chart" (Compare the performance of our Exchange Traded Products against various benchmarks) and "SA Economic Research" (Access to daily South African...).
- Performance:** "ETF" section with a "1 Year" dropdown menu and a table of performance data:

NEWGOLD ETF	43.48%	NEWRAND ETF	6.26%
NEWASSET	0.04%	ERACIT	4.70%



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