

The ETF Tax Free Investment Account (ETFIA)

JSE

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Nerina Visser
ETF Strategist
etfSA.co.za

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Frequently Asked Questions

- How can I get ownership in JSE companies?
- How do I get the best economies of scale from a small investment amount?
- What return can I expect from my ETF investments?
- How do I choose in which ETF(s) to invest?
- I'm a first-time investor – where do I start?

Tax Free Savings & Investment Account (TFSA)

- New dispensation announced by government in Feb-2105 – falls under **Section 12T** of the Income Tax Act
- **Maximum** contributions to a TFSA by any **individual** is limited to **R30 000 per tax year** (March to February) and to R500 000 over your lifetime
- If you contribute more than R30 000 per year, you will be **taxed at 41%** on the **excess** contribution
- You **can make withdrawals** at any time, but cannot replace such withdrawals in the same tax year

Continued...

Tax Free Savings & Investment Account (TFSA) (continued)

- You **cannot convert existing investment** products to a TFSA – must be new contributions
- A Tax Free Savings and Investment Account may be opened in the name of a **minor** (children)
 - but you can only withdraw out of that account into another account in the name of that minor
- You **do not have to be a taxpayer** to open a TFSA
- You are **not allowed** to invest in **individual shares** in a TFSA

What does Tax Free mean?

- No income tax, No dividend withholding tax, No capital gains tax, No interest tax, No securities transfer tax
- All capital growth and any income / dividends earned in such accounts is tax free
- However contributions are not tax deductible
- But, anything you withdraw is tax free

What is the ETF Tax Free Investment Account (ETFIA)?

- Special ring-fenced account – flagged as tax free – for each investor, at **Computershare**
 - ❑ NB: you **cannot use your existing etfSA account** (administered by AOS) for tax free investments
 - ❑ All ETF holdings are **registered in the name** of the investor on the centralised electronic JSE/**STRATE** register
 - ❑ ETFIA account holds a **diversified portfolio of ETFs**
- Allows investment **from R1000** (lump sum or debit order) up to a maximum of R30 000 per account in any tax year

Continued...

What is the ETF Tax Free Investment Account (ETFIA)? (continued)

- Charges a **1%** (incl. VAT) fee per annum for:
 - ❑ Account administration and custody = **0,5%** (Computershare)
 - ❑ Portfolio management and advice = **0,5%** (etfSA)
 - ❑ That is **R300** for the maximum R30,000 investment or **R10** for an investment of R1,000
- Minimal **transaction** handling charges are bulked and charged to each client (brokerage rate = **0.1%**)
- All **distributions** received from the ETFs are **automatically reinvested** to buy more ETFs

Why use ETFs in Tax Free Accounts?

- **Low cost** and **diversified** exposure to key investment asset classes through **passive index trackers**
- **Eliminate risk, high costs** and low investment performance of active managers
- Completely **transparent** and **liquid** because of JSE trading
- ETFs are highly **efficient in paying out most income** received in Collective Investment Schemes to unit holders
- ETFs are **regulated** by both JSE and FSB

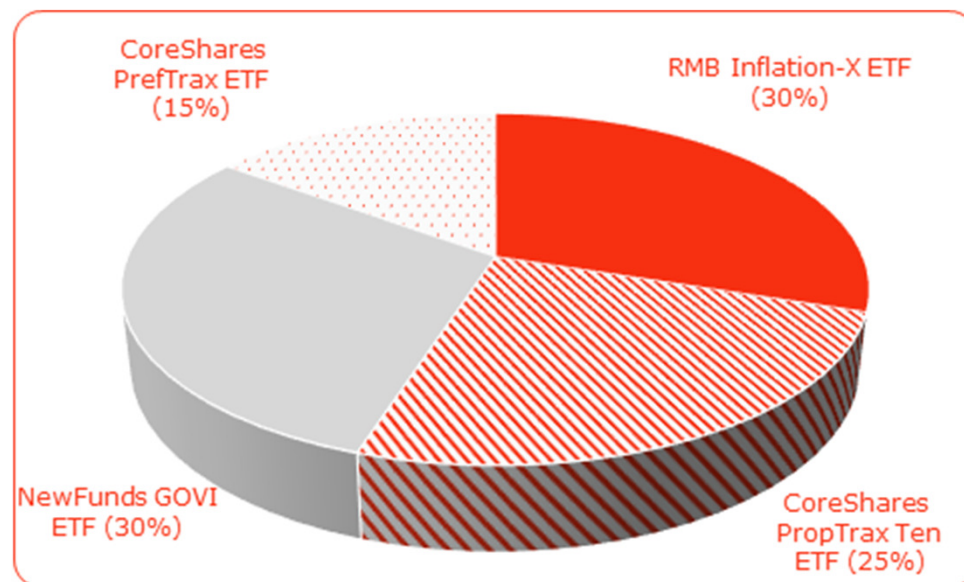
What are my options?

- Two different portfolios offered:
 - **Income** account – invests in high income ETFs
 - **Equity** account – invests in domestic & international equity ETFs
 - **Combination** of the two giving a Balanced Fund option
- **Modular design** allows for contributions from R1000 at any time, up to a maximum of R30 000 per tax year

What is in the ETFIA-**Income** Account?

Four ETFs with an income focus:

- ❑ 30% RMB Inflation-X
- ❑ 30% NewFunds GOVI
- ❑ 15% CoreShares PrefTrax
- ❑ 25% CoreShares PropTrax Ten



ETFIA-Income Account

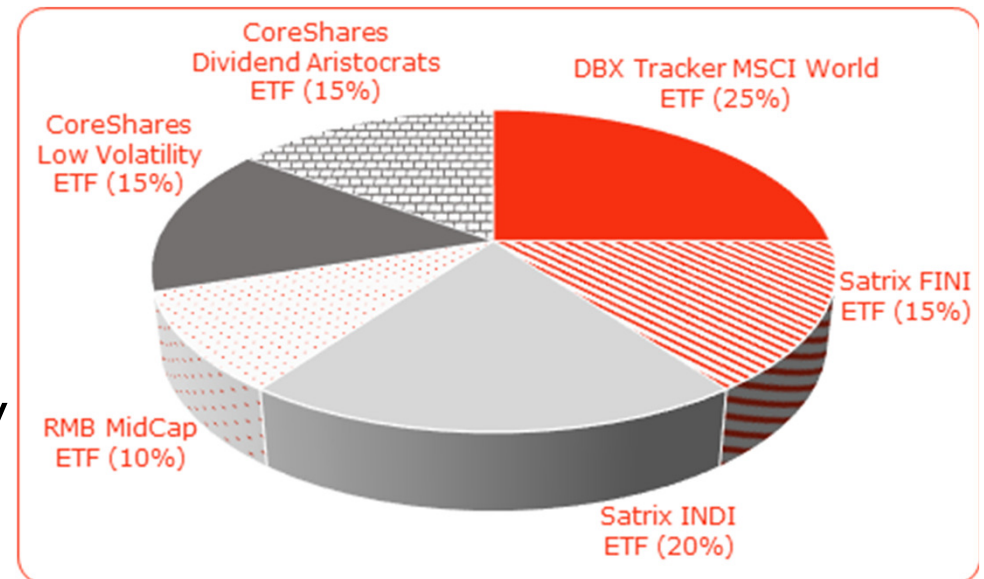
Past performance

Historic Investment Performance to Feb-2015					
	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Average (% p.a.)
ETF Income Account*	20,9%	9,1%	12,2%	12,4%	13,7%
SA Government Bond Index	15,2%	6,7%	9,3%	10,3%	10,4%
Money Market Index	6,1%	5,7%	5,6%	5,8%	5,8%
<i>Source: JSE/Profile Data (27/2/2015).</i>					
<i>* Note: This is the past performance of a portfolio of the selected ETFs, had tax-free legislation been in place since 2010. The same historic returns may not be achieved in future.</i>					

What is in the ETFIA-**Equity** Account?

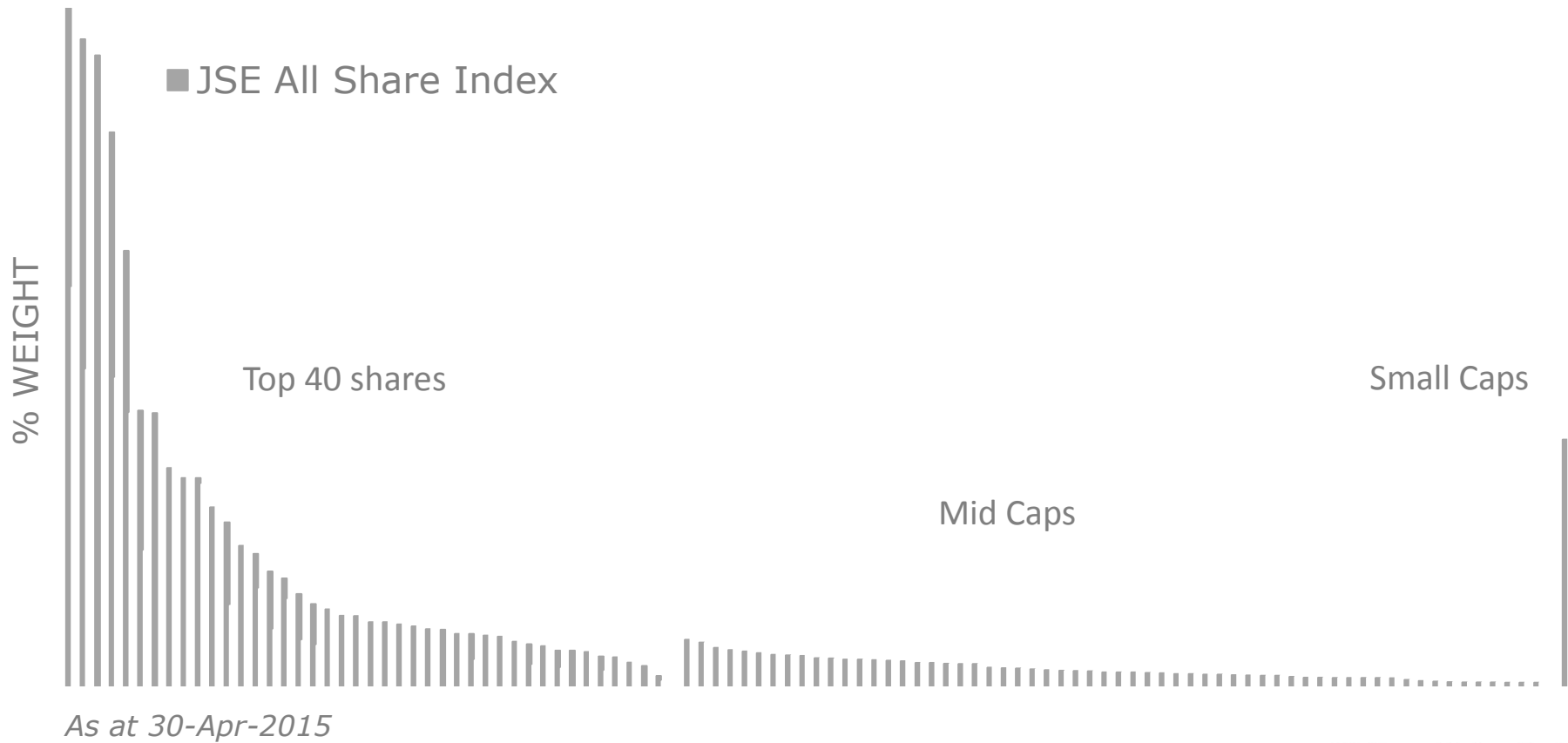
Six ETFs offering capital growth:

- ❑ 15% Satrix FINI15
- ❑ 20% Satrix INDI25
- ❑ 10% RMB MidCap
- ❑ 15% CoreShares Low Volatility
- ❑ 15% CoreShares Dividend Aristocrats
- ❑ 25% DBX-tracker MSCI World



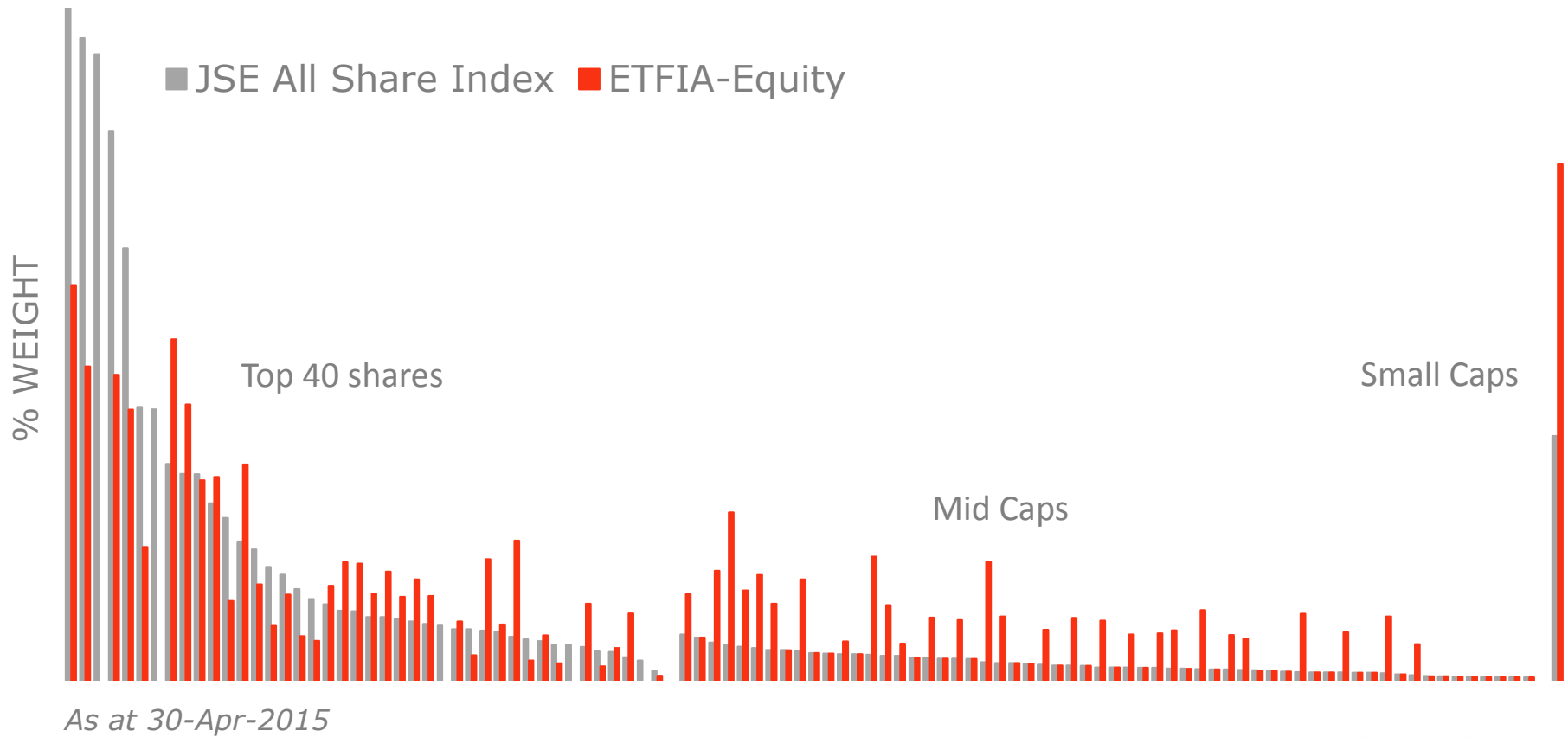
ETFIA-Equity Account

Share weights of JSE All Share Index



ETFIA-Equity Account

Composite share weights of domestic ETFs



ETFIA-Equity Account

Top 10 holdings – domestic equity

FTSE/JSE Top 40		65.3	ETFIA-Equity – domestic only		37.5
NPN	Naspers –N	11.2	NPN	Naspers –N	5.3
SAB	SAB Miller	10.3	SBK	Standard Bank	4.6
BIL	BHP Billiton	10.0	SAB	SAB Miller	4.2
CFR	Richemont	8.8	CFR	Richemont	4.1
MTN	MTN	6.9	OML	Old Mutual	3.7
SOL	Sasol	4.4	MTN	MTN	3.6
AGL	Anglo American	4.3	SLM	Sanlam	2.9
SBK	Standard Bank	3.5	FSR	Firststrand	2.7
OML	Old Mutual	3.3	BTI	British American Tobacco	2.7
BTI	British American Tobacco	3.3	MMI	MMI	2.2

% weight as at 30-Apr-2015

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ETFIA-Equity Account Past performance

Historic Investment Performance to Feb-2015

	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Average (% p.a.)
ETF Equity Account	31,4%	28,3%	28,3%	23,6%	27,9%
JSE All Share Index	16,8%	20,1%	19,9%	18,2%	18,8%

Source: JSE/Profile Data (27/2/2015).

* Note: This is the past performance of a portfolio of the selected ETFs, had tax-free legislation been in place since 2010. The same historic returns may not be achieved in future.

What return can I expect?

R1,000 lump sum investment

	1 year
Cash (bank savings)	R1,058
SA Government Bonds	R1,104
ETFIA- Income Account	R1,137
JSE All Share Index	R1,188
ETFIA- Equity Account	R1,279

*Based on the average return of the last five years to Feb-2015
The same return may not be achieved in future*

What return can I expect?

R1,000 lump sum investment

	1 year	5 years
Cash (bank savings)	R1,058	R1,326
SA Government Bonds	R1,104	R1,640
ETFIA- Income Account	R1,137	R1,900
JSE All Share Index	R1,188	R2,366
ETFIA- Equity Account	R1,279	R3,423

*Based on the average return of the last five years to Feb-2015
The same return may not be achieved in future*

What return can I expect?

R1,000 lump sum investment

	1 year	5 years	17 years
Cash (bank savings)	R1,058	R1,326	R2,608
SA Government Bonds	R1,104	R1,640	R5,376
ETFIA- Income Account	R1,137	R1,900	R8,870
JSE All Share Index	R1,188	R2,366	R18,702
ETFIA- Equity Account	R1,279	R3,423	R65,584

*Based on the average return of the last five years to Feb-2015
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What return can I expect?

R30,000 lump sum investment

	1 year
Cash (bank savings)	R31,740
SA Government Bonds	R33,120
ETFIA- Income Account	R34,110
JSE All Share Index	R35,640
ETFIA- Equity Account	R38,370

*Based on the average return of the last five years to Feb-2015
The same return may not be achieved in future*

What return can I expect?

R30,000 lump sum investment

	1 year	5 years
Cash (bank savings)	R31,740	R39,769
SA Government Bonds	R33,120	R49,200
ETFIA- Income Account	R34,110	R57,006
JSE All Share Index	R35,640	R70,991
ETFIA- Equity Account	R38,370	R102,677

*Based on the average return of the last five years to Feb-2015
The same return may not be achieved in future*

What return can I expect?

R30,000 lump sum investment

	1 year	5 years	17 years
Cash (bank savings)	R31,740	R39,769	R78,231
SA Government Bonds	R33,120	R49,200	R161,286
ETFIA- Income Account	R34,110	R57,006	R266,103
JSE All Share Index	R35,640	R70,991	R561,049
ETFIA- Equity Account	R38,370	R102,677	R1,967,526

*Based on the average return of the last five years to Feb-2015
The same return may not be achieved in future*

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What return can I expect?

R30,000 p.a. investment to a maximum of R500,000

	1 year
Cash (bank savings)	R31,740
SA Government Bonds	R33,120
ETFIA- Income Account	R34,110
JSE All Share Index	R35,640
ETFIA- Equity Account	R38,370

*Based on the average return of the last five years to Feb-2015
The same return may not be achieved in future*

What return can I expect?

R30,000 p.a. investment to a maximum of R500,000

	1 year	5 years
Cash (bank savings)	R31,740	R208,208
SA Government Bonds	R33,120	R233,817
ETFIA- Income Account	R34,110	R254,133
JSE All Share Index	R35,640	R289,028
ETFIA- Equity Account	R38,370	R363,169

*Based on the average return of the last five years to Feb-2015
The same return may not be achieved in future*

What return can I expect?

R30,000 p.a. investment to a maximum of R500,000

	1 year	5 years	17 years
Cash (bank savings)	R31,740	R208,208	R899,796
SA Government Bonds	R33,120	R233,817	R1,413,647
ETFIA- Income Account	R34,110	R254,133	R1,979,479
JSE All Share Index	R35,640	R289,028	R3,375,777
ETFIA- Equity Account	R38,370	R363,169	R8,902,064

*Based on the average return of the last five years to Feb-2015
The same return may not be achieved in future*

ETFIA Account Actual performance

% return since introduction of Tax Free accounts in March 2015

Cash (bank savings)	1.06
SA Government Bonds	-0.67
ETFIA- Income Account	2.19
JSE All Share Index	3.10
MSCI World Index (in Rand)	2.46
ETFIA- Equity Account	4.38

Performance based on an NAV-to-NAV basis to 30-Apr-2015

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How do I choose?

- Savings account – bank deposit
 - Short term (<3 years); Low risk tolerance
- ETFIA **Income** account
 - Medium term (3-7 years); Medium risk tolerance
- ETFIA **Equity** account
 - Long term (>7 years); High risk tolerance

Question time



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Contact details

ETFIA Call Centre	0861 100 917	<u>etfia@computershare.co.za</u>
Websites	<u>www.etfsa.co.za</u> (discretionary investments) <u>www.etfsara.co.za</u> (etfSA RA Fund)	
etfSA Call Centre	0861 383 721 (etfSA Investor Plan)	<u>queries@etfsa.co.za</u>
	0861 383 727 (etfSA RA Fund)	<u>rafunds@etfsa.co.za</u>
etfSA Management	Team: <u>info@etfsa.co.za</u> Jenilee Naidoo : 011 274 6170 <u>jenileen@etfsa.co.za</u> Mike Brown: 011 274 6171 <u>mikeb@etfsa.co.za</u> Sherryl Fortuin : 011 274 6172 <u>sherrylf@etfsa.co.za</u> Nerina Visser: 011 274 6173 <u>nerinav@etfsa.co.za</u>	

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