

Exchange Traded Products (ETPs)

- Introduction to ETPs
- Using ETPs in Investor Club/Stokvel accounts
 - Using ETPs in Portfolio Management

JSE ETP Seminar

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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 March 2015) FTSE/JSE Top 40 Index			
	Market Cap Weighted (%)		Market Cap Weighted (%)
Anglo Platinum Ltd	0,33	Discovery	0,69
Anglo American Plc	4,51	FirstRand Ltd	2,82
Anglo Gold Ashanti Ltd	0,91	Growthpoint Properties Ltd	1,12
Aspen Pharmacare Hldgs	1,81	Impala Platinum Holdings	0,59
Barclays Africa Group	1,01	Imperial Holdings	0,55
BHP Billiton Plc	10,02	Investec Ltd	0,45
Bidvest Group Ltd	1,67	Investec Plc	1,09
British American Tobacco	3,29	Intu Properties Plc	0,95
Capital & Countries Prop	0,37	Kumba Iron Ore Ltd	0,16
Compagnie Fin Richemont	8,78	Life Healthcare Grp Hldgs	0,67

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Components of FTSE/JSE Top 40 Index

Index Weights – Basket of Constituents (as at March 2015) FTSE/JSE Top 40 Index			
	Market Cap Weighted (%)		Market Cap Weighted (%)
Mediclinic International Ltd	0,88	Remgro Ltd	2,08
Mondi Ltd	0,46	RMB Holdings Ltd	0,78
Mondi Plc	1,45	SABMiller Plc	10,26
Mr Price Group	0,97	Sanlam Ltd	2,20
MTN Group	6,95	Sasol Ltd	4,46
Naspers Ltd -N-	11,27	Shoprite Holdings Ltd	1,20
Nedcor	0,82	Standard Bank Group Ltd	3,42
Netcare Ltd	1,01	Steinhoff International Hldg	2,63
Old Mutual Plc	3,26	Tiger Brands Ltd	0,82
Rand Merchant Ins Hldgs	0,54	Vodacom Group	0,82
Reinet Inv Soc Anon	0,62	Woolworths Holdings Ltd	1,30

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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 (continued)

- They are completely transparent at all times.
- Trade continuously and are highly liquid.
- Publically listed securities, with both FSB and JSE regulatory supervision.
- They only track indices so are pure “passive investments”.
- 80% of SA active unit trust fund managers cannot outperform the index – so you are always ahead of the average returns of most investors.
- Are ideal for long-term investment portfolios.

Percentage of Equity Managers Underperforming the Index

		3 Year (%)	5 Year (%)	10 Year (%)
A.	US Equity Managers vs S&P 500 Index	76,3%	88,7%	82,1%
B.	Global Equity Managers vs S&P Global 1200	73,6%	75,5%	79,2%
C.	SA Equity Managers vs FTSE/JSE All Share Index	79,1%	77,9%	84,2%
<i>Source: Standard & Poors – Year End 2014 Spiva Scorecard. Quarterly Unit Trust Survey (December 2014).</i>				

ETPs Available on the JSE

Sector	Indices	Products	Comments
Broad Market	<ul style="list-style-type: none"> • Top 40 • Equally Weighted Top 40 	<ul style="list-style-type: none"> • Satrix 40 ETF • RMB Top 40 ETF • Satrix SWIX Top 40 • BettaBeta EWT4 0 	“Own the market”
JSE Equity Sectors	<ul style="list-style-type: none"> • INDI 25 • FINI 15 • Resources 10 • MidCap 	<ul style="list-style-type: none"> • Satrix INDI 25 ETF • Satrix FINI 15 ETF • RMB MidCap ETF 	Market sector often outperforms the broad market. Enables tactical asset allocation strategies.
Bonds/Income Bearing Assets	<ul style="list-style-type: none"> • GOVI • ILBI • Preference Shares • Money Market 	<ul style="list-style-type: none"> • NewFunds GOVI ETF • RMB Inflation-X ETF • PrefTrax ETF • NewFunds TRACI ETF 	Give higher yields than equities, lower capital gains.
Listed Property	<ul style="list-style-type: none"> • SAPY Property Index 	<ul style="list-style-type: none"> • Proptrax SAPY ETF • Proptrax Ten ETF 	Give high yields and capital gains.

Continued...

ETPs Available on the JSE (continued)

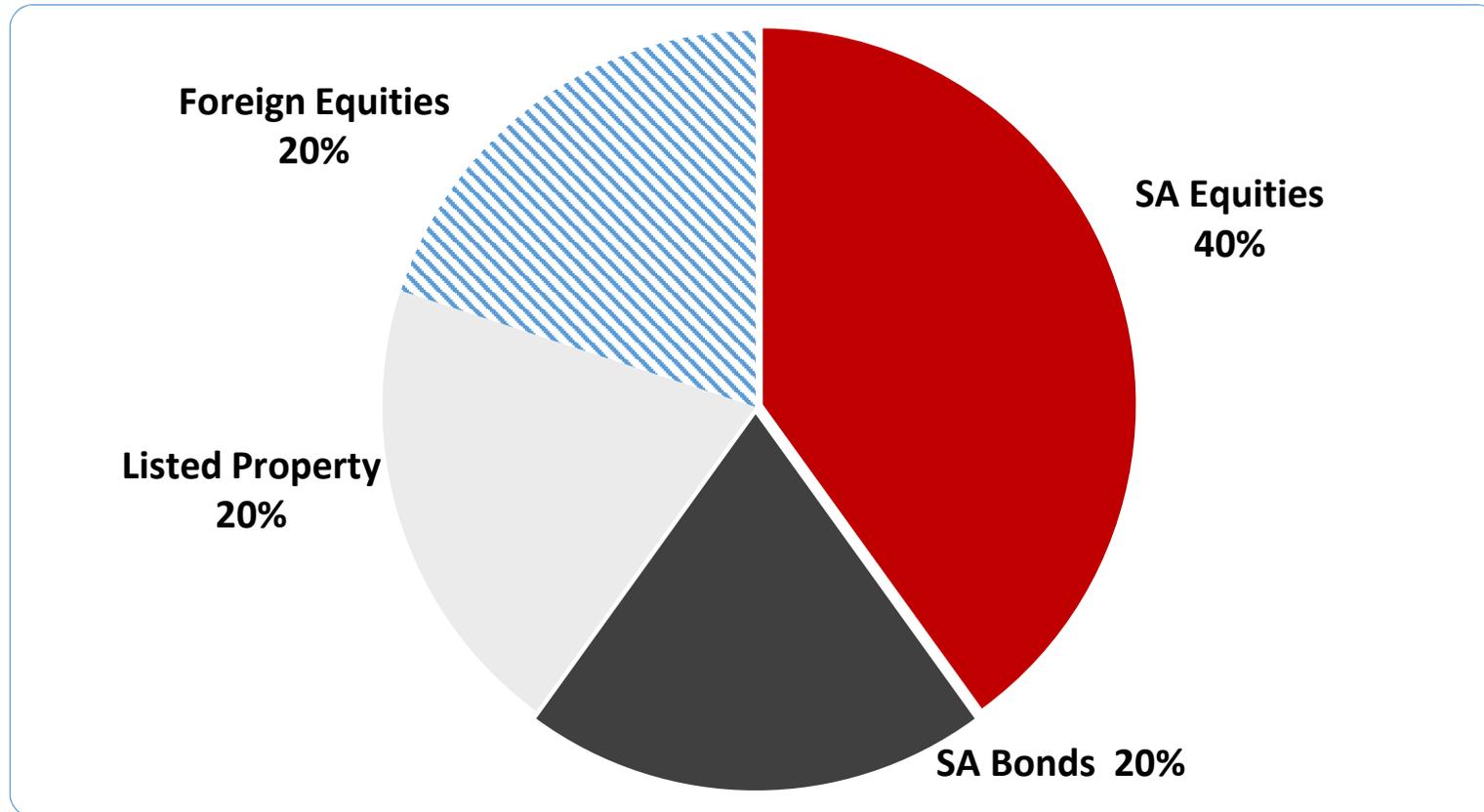
Sector	Indices	Products	Comments
“Foreign” Indices	<ul style="list-style-type: none"> • World Indices • Country Indices 	<ul style="list-style-type: none"> • DBX Tracker World ETF • DBX Tracker USA ETF • DBX Eurostoxx 50 ETF • DB China 	Exposure to global equities also rand hedge.
“Smart Beta”	<ul style="list-style-type: none"> • RAFI/GIVI Indices • Dividend Indices • Style Indices 	<ul style="list-style-type: none"> • NewFunds eRAFI ETFs • Satrix DIVI • CoreShares DivTrax • NewFunds Shari’ah Top 40 	“Select” specific investment targets, styles or valuation systems.
Commodities	<ul style="list-style-type: none"> • Single Commodities • Commodity Baskets 	<ul style="list-style-type: none"> • NewGold, NewPlat ETFs • Africa Palladium / Platinum ETFs • Standard Bank Silver, Oil, Wheat “Linker ETNs • Standard Bank Africa Commodity Basket ETN 	Diversify into metal and other commodity markets directly.

Building Up Wealth

R1000 per month in Satrix INDI 25 ETF

	Current Value*				
	1 Year (R)	3 Year (R)	5 Year (R)	10 Year (R)	20 year** (R)
Satrix INDI 25 ETF	13 370	52 450	118 540	404 500	3 842 000
* Current value of R1000 per month investment over 1-10 years for period ended 14 May 2015.					
** Extrapolated return based on 2004-2014 returns.					
Source: etfSA.co.za / Profile Data (14/5/2015).					
Note: Historic returns may not be repeated in future.					

Simple Strategic Asset Allocation

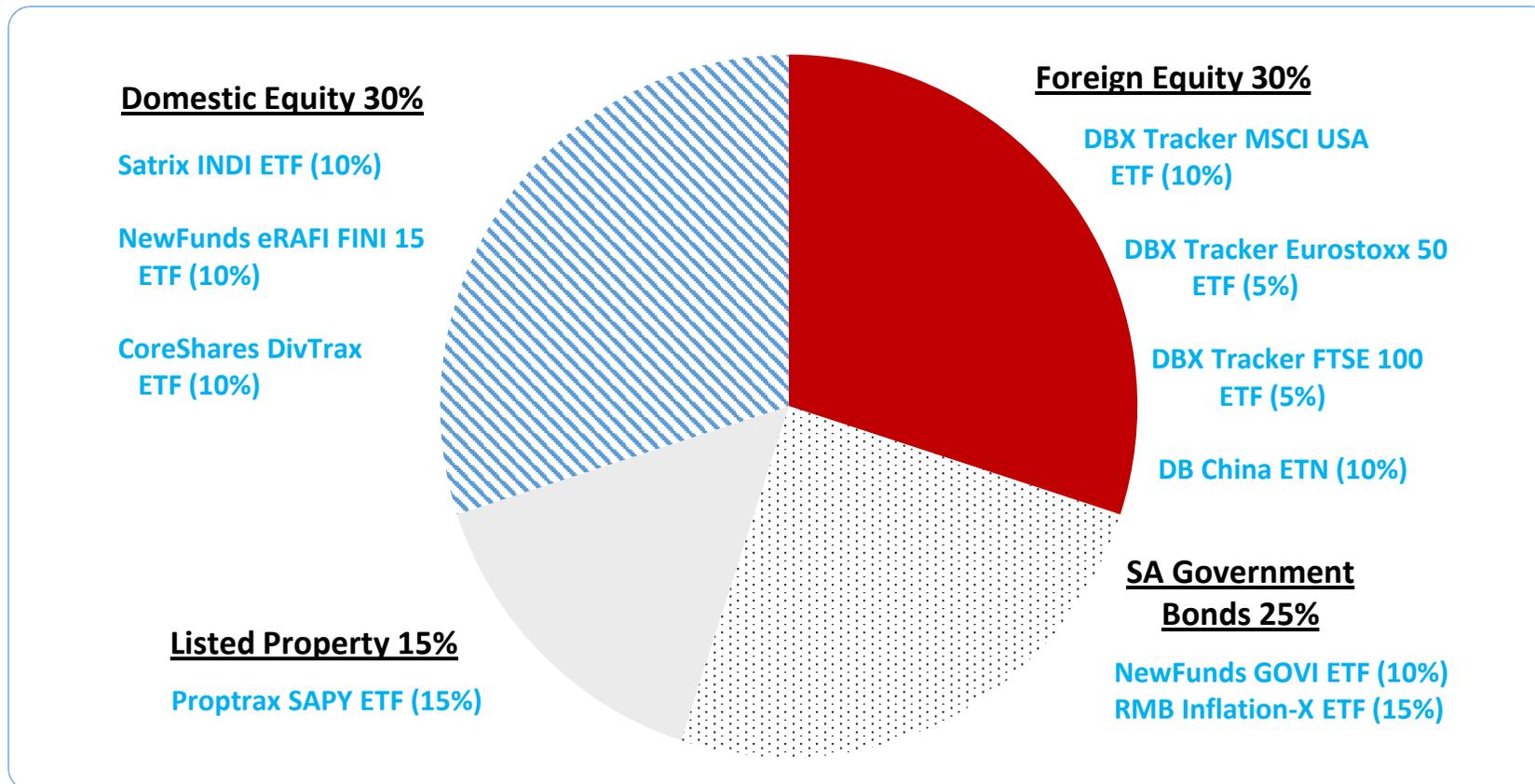


Balanced Portfolio Investment

R5000 per month – R1000 per month in each ETF

	Amount Allocated		Value After 3 Years (R)	Value After 5 Years (R)
	(%)	(R)		
SA Equities				
Satrix INDI 25 ETF	20%	1 000	52 450	118 540
Satrix FINI 15 ETF	20%	1 000	52 700	110 440
Foreign Equities				
DBX Tracker MSCI World ETF	20%	1 000	52 600	113 030
SA Government Bonds				
RMB Inflation-X ETF	20%	1 000	40 800	76 100
SA Listed Property				
Proptrax SAPY ETF	20%	1 000	48 600	99 450
Total	100%	R5 000 pm	R247 150	R517 560
Comparison				
Average SA medium equity balanced Unit Trust			R211 050	R408 600
			(15% p.a. outperformance)	(21% p.a. outperformance)

More "Diversified" Portfolio



Strategic Asset Allocation Portfolio

Illustrative ETP Portfolio R5 million lump sum investment			
Fund	Amount Allocated		Current Value* after 3 year investment
	(%)	(R)	
SA Equities			
Satrix INDI 25 ETF	10%	500 000	1 095 500
NewFunds eRAFI FINI ETF	10%	500 000	1 396 300
CoreShares DivTrax ETF	10%	500 000	891 900
Foreign Equities			
DBX Tracker MSCI USA ETF	10%	500 000	1 193 700
DBX Tracker Eurostoxx 50 ETF	5%	250 000	555 200
DBX Tracker FTSE 100 ETF	5%	250 000	478 600
DB China	10%	500 000	1 133 500
SA Bonds			
NewFunds GOVI ETF	10%	500 000	616 000
RMB Inflation-X ETF	15%	750 000	980 700
SA Listed Property ETF			
Proptrax SAPY ETF	15%	750 000	1 340 000
Totals	100%	R5 000 000	R9 681 500

* **Current value of lump sum investment done 3 years ago (with dividends reinvested).**

Source *etfSA.co.za / Profile Date (6/5/2015).*

Note: *Historical returns may not be repeated in future.*

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The Advantages of Using the etfSA Investor Plan for Discretionary Investments

- 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.
- Can view accounts online at any time.

View: www.etfsa.co.za

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“Bespoke” Portfolio Management Service

- “Personal” portfolio management service
- “Hands-on” structuring of ETP portfolios to manage
 - Investment targets
 - Income, capital or both
 - Risk preferences.
- “All-in” composite fee includes
 - Settlement & Custodianship
 - Administration
 - Financial Advice
 - Asset Management.
- Maximum fee: 1% per annum.
- Minimum investment : R1 million.

etfSA Retirement Annuity Fund

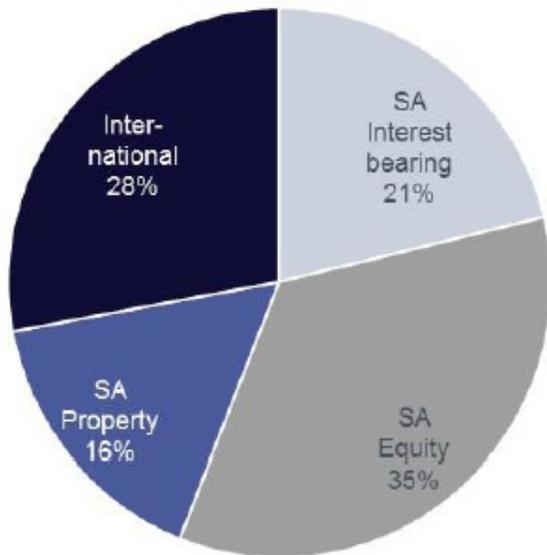
- Uses only ETPs in portfolio construction.
- Completely flexible contributions from
 - R5000 initial investment
 - R1000 lump sum additional investments
 - R300 per month debit orders
- Totally transparent portfolios, daily performance data, online statements.
- Costs 1,15% per annum in total.
- Top investment performance.
- Transfer from other RA Funds free of etfSA charges.



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Strategic Asset Allocation (CPI + 7% benchmark)

Benchmark Asset Allocation



Portfolio Investment Returns compared to Market Performance

(%)	6m	1yr	3yrs (pa)	5yrs (pa)	10yrs (pa)
Cash - ST Fixed Income Index (STeFI)	3.1	6.2	5.6	5.8	7.3
FTSE/JSE All Bond Index (ALBI)	3.3	11.5	8.1	9.3	8.6
FTSE/JSE All Share Index (ALSI)	11.2	14.8	20.1	17.2	19.2
FTSE/JSE SA Listed Property Index (SAPY)	18.3	38.3	24.2	21.8	22.1
MSCI World Index in ZAR (MXWR)	12.3	19.3	28.2	19.1	12.0
CPI+7%		11.5	12.9	12.9	13.7
etfSA Wealth Enhancer RA Fund	8.4	14.1			
CPI+7% Model Portfolio	9.9	15.8	16.3	14.9	16.5

Source: etfSA RA Fund Monthly Fact Sheet, April 2015



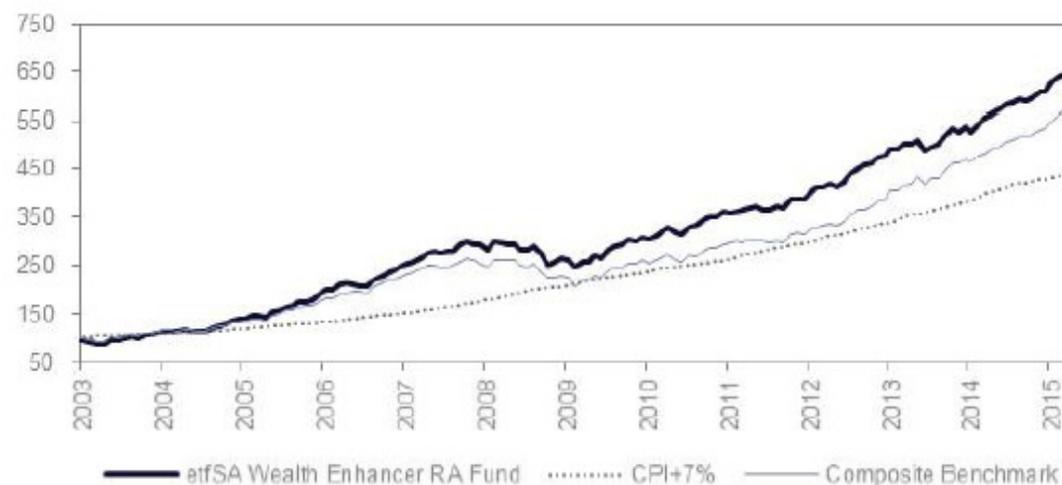
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Passive (ETP) Portfolio for Benchmark Portfolio

Actual Portfolio Holdings

Asset class	Reg. 28 Category	Description	Weight (%)	
SA Interest bearing	Cash (max 100%)	Cash	3.0	
		Debt (max 75%)	RMB Inflation-linked GOVI ETF New Funds GOVI ETF	9.2 9.0
SA Equity	Equities (max 75%)	BettaBeta Equally Weighted Top40 ETF	18.3	
		BettaBeta Green ETF	4.4	
		New Fund e-RAFI INDI ETF	1.8	
		RMB MidCap ETF	5.6	
		Satrix Divi Plus ETF	4.8	
SA Property	Immovable Property (max 25%)	Proptrax Ten ETF	16.1	
Offshore	Foreign exposure (max 25%)	dB X-Trackers World ETF	8.5	
		dB X-Trackers Emerging Markets ETN	7.4	
		Africa (max 5%)	StdBank Africa ETN	5.7
Commodities	Gold (max 10%)	New Gold ETF	2.7	
		New Gold Platinum ETF	1.5	
		Other (max 5%)	New Gold Palladium ETF	0.1
		StdBank Oil ETN	1.3	
		StdBank Wheat ETN	0.7	

Historical Performance



Source: etfSA RA Fund Monthly Fact Sheet, April 2015



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etfSA Living Annuity Fund

- For people already in retirement or shortly to take retirement.
- Pays monthly pension, remainder remains reinvested.
- Use three RA portfolios, plus equity only (CPI +10%) portfolio.
- Total fees from 0,75% to 1,25% per annum.
- Underwritten by Prescient Life.



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Contact details

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