

# SA Property ETF

**The Listed Property Experience in SA**

**Lessons and Opportunities**

**Stephen E. Delport**  
*Managing Director*



# Listed Property Accepted as a Core Asset



*“They’re a better inflation hedge than utility stocks,  
which also pay high dividends.”*

*Burton Malkiel: Author of Random Walk Down Wall Street*

*“Asset classes [other than stocks and bonds] that are often used  
consist of money market securities, foreign stocks, foreign bonds,  
venture capital and real estate.”*

*William F. Sharpe: Nobel Laureate in Economics and Author of Investments*

*“...[F]or individual investors, publicly traded real estate securities  
generally provide reasonably low-cost exposure to  
relatively high quality pools of real estate assets”*

*David Swensen: Author of Unconventional Success:  
A Fundamental Approach to Personal Investment*

# Evolution of SA Listed Property

1969

***PUTs (Property Unit Trust) were introduced in SA***

- Two trusts were established and listed on the JSE.

1976

***Separate Sector for PUTs was established on JSE***

- The aim was to encourage individuals and small pension funds lacking the inclination or expertise to manage freehold property investment themselves, to invest in property.

1980s

***18 different PUT's listed***

1987

***First PLS (Property Loan Stock) companies listed on JSE***

# Evolution of SA Listed Property



1990s

*Mergers took place to increase the liquidity in PUT sector.*

- Consolidation saw the number of PUTs drop to six entities.

2002

*JSE implemented the FTSE-JSE Africa Index series.*

- PUTs & PLS classified under the “Real Estate” sub-sector.

2007

*September – PROPTRAX SAPY listed*

- Share code: **PTXSPY**

2006  
to  
2009

*“Consolidation”*

- Trend towards larger diversified funds with greater liquidity.
- Over 35 counters, down to 19.

2011

*May – PROPTRAX<sup>TEN</sup> listed*

- Share code: **PTXTEN**

2013

*Introduction of REITs ?*

# What is an Exchange Traded Fund (ETF)?



## *An ETF is:*

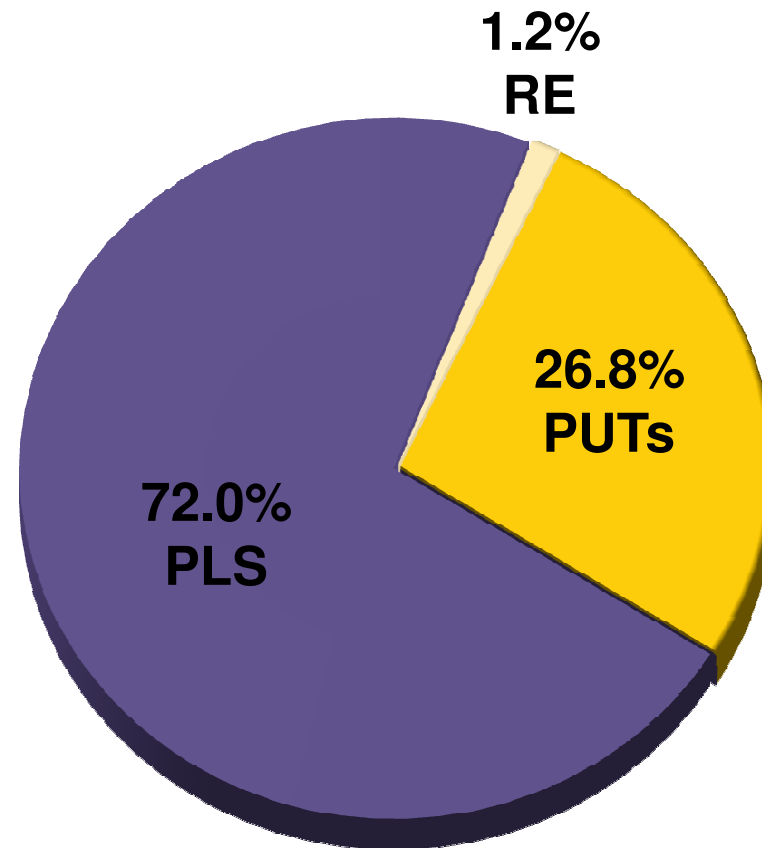
- A passive investment product listed and traded on the JSE
- Usually registered as a Collective Investment Scheme with the FSB
- Tracks the performance of certain underlying assets
- For example:
  - An equity Index
  - A bond Index
  - A customised property Index

- Commercial real estate owned in:
  - All major property sectors
    - Retail
    - Industrial
    - Office
  - All major geographic regions
- R159 billion market capitalisation of the SAPY Index
- Current market capitalisation of PROPTRAX SAPY is R133 million
- Current market capitalisation of PropTrax<sup>Ten</sup> is R48 million

# Types of SA Listed Property Today

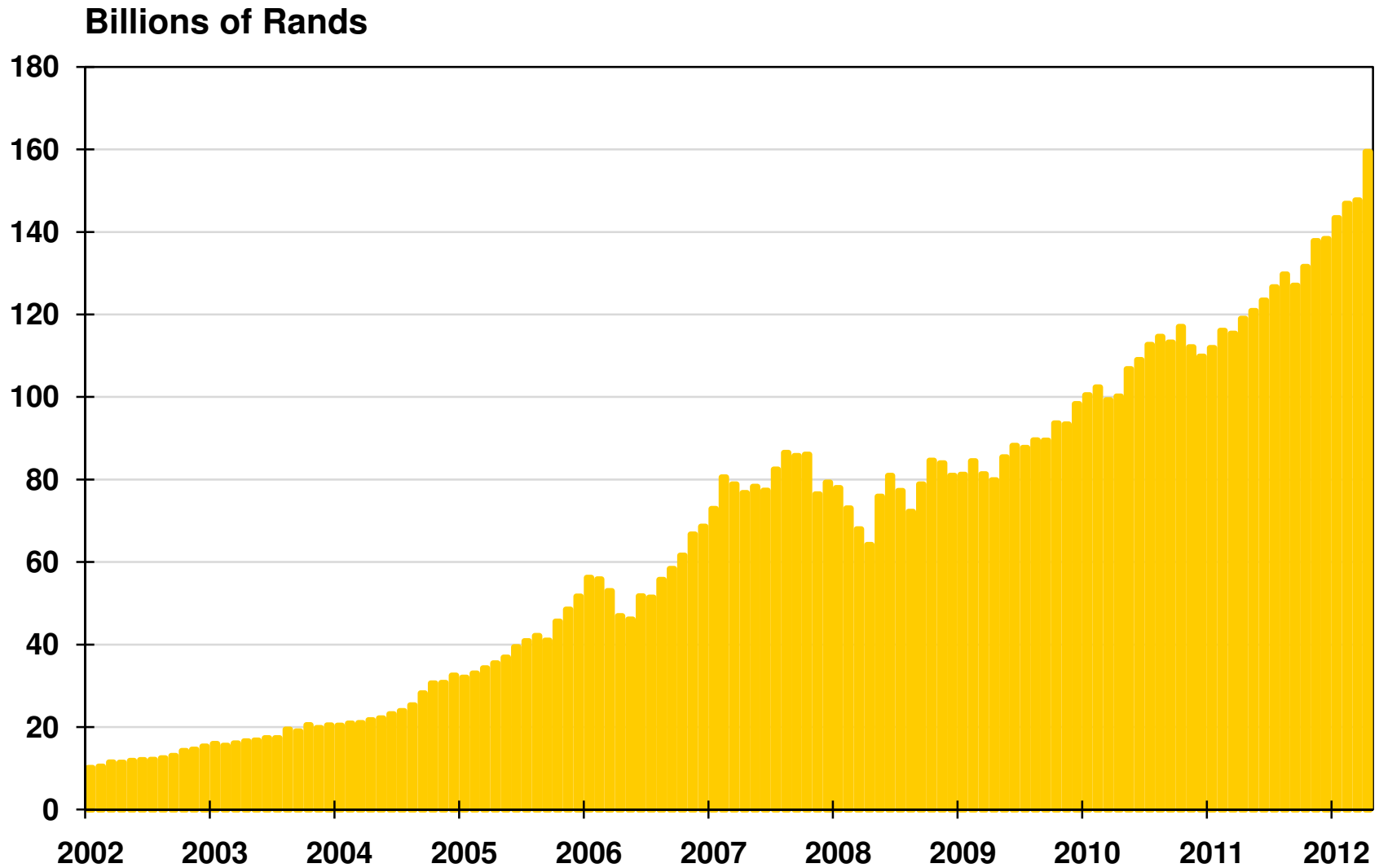
- 20 counters in the FTSE/JSE SAPY Index

- 5 PUTs
- 14 PLS
- 1 Real Estate



*Data as at 30 June 2012*

# Market Capitalisation



*Data as at 30 June 2012; Source: I-Net*



# Benefits to Investing in SA Listed Property



Diversification

Dividends

Liquidity

Performance

Transparency

Accessibility

# Diversification

## Historical Total Return Correlations



10 Year Correlations				
	Property	Equities	Bonds	Cash
Property	1.00	0.31	0.63	-0.03
Equities	0.58	1.00	0.05	-0.21
Bonds	0.76	0.43	1.00	0.11
Cash	0.23	0.22	0.05	1.00

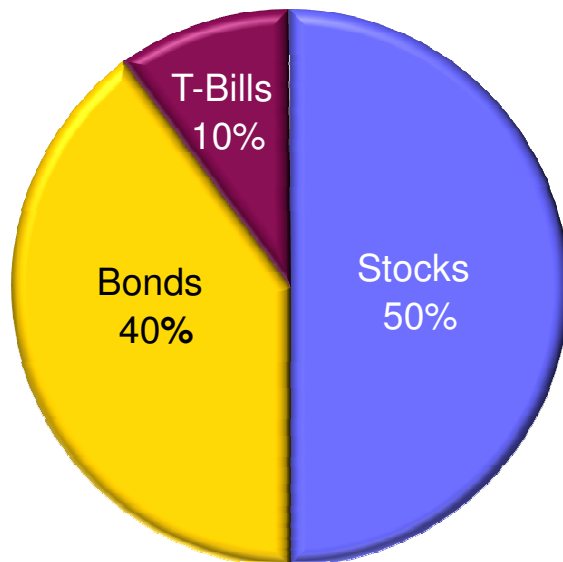
3 Year Correlations				
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*Data as at 30 June 2012; Source: I-Net, PropTrax Managers*

# Diversification: Diversify to reduce risk and increase return

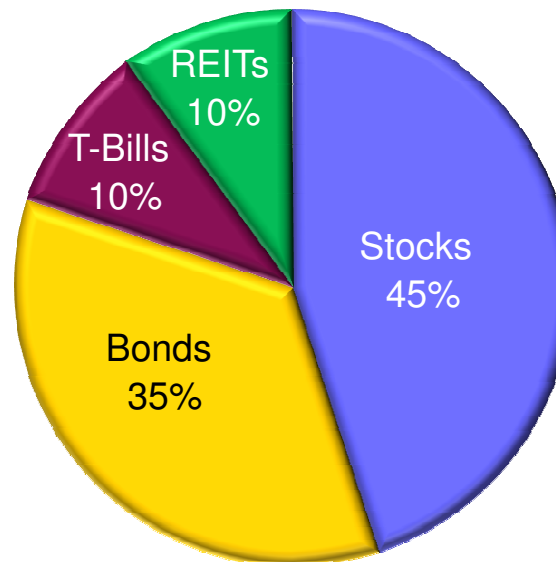
## Stock and bond investors 1972–2005

**Stocks and Bonds**



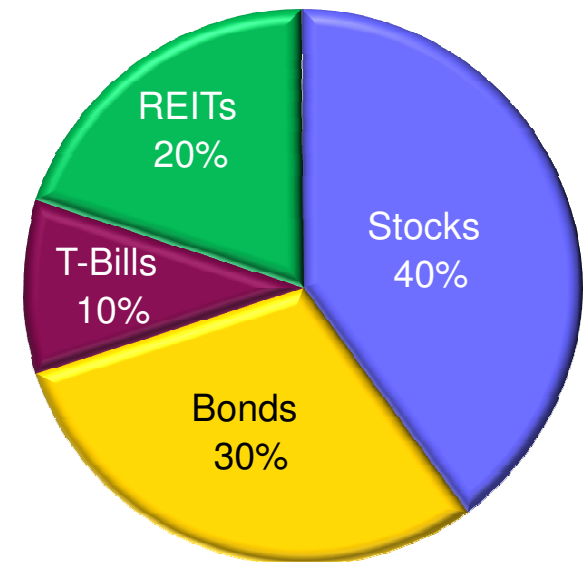
Return 10.7%  
Risk 11.0%  
Sharpe Ratio 0.42

**With 10% REITs**



Return 11.0%  
Risk 10.7%  
Sharpe Ratio 0.46

**With 20% REITs**



Return 11.4%  
Risk 10.6%  
Sharpe Ratio 0.50

Source: Stocks—Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general; Bonds—20-year U.S. Government Bond; Treasury Bills—30-day U.S. Treasury Bill; REITs—FTSE NAREIT Equity REIT Index.

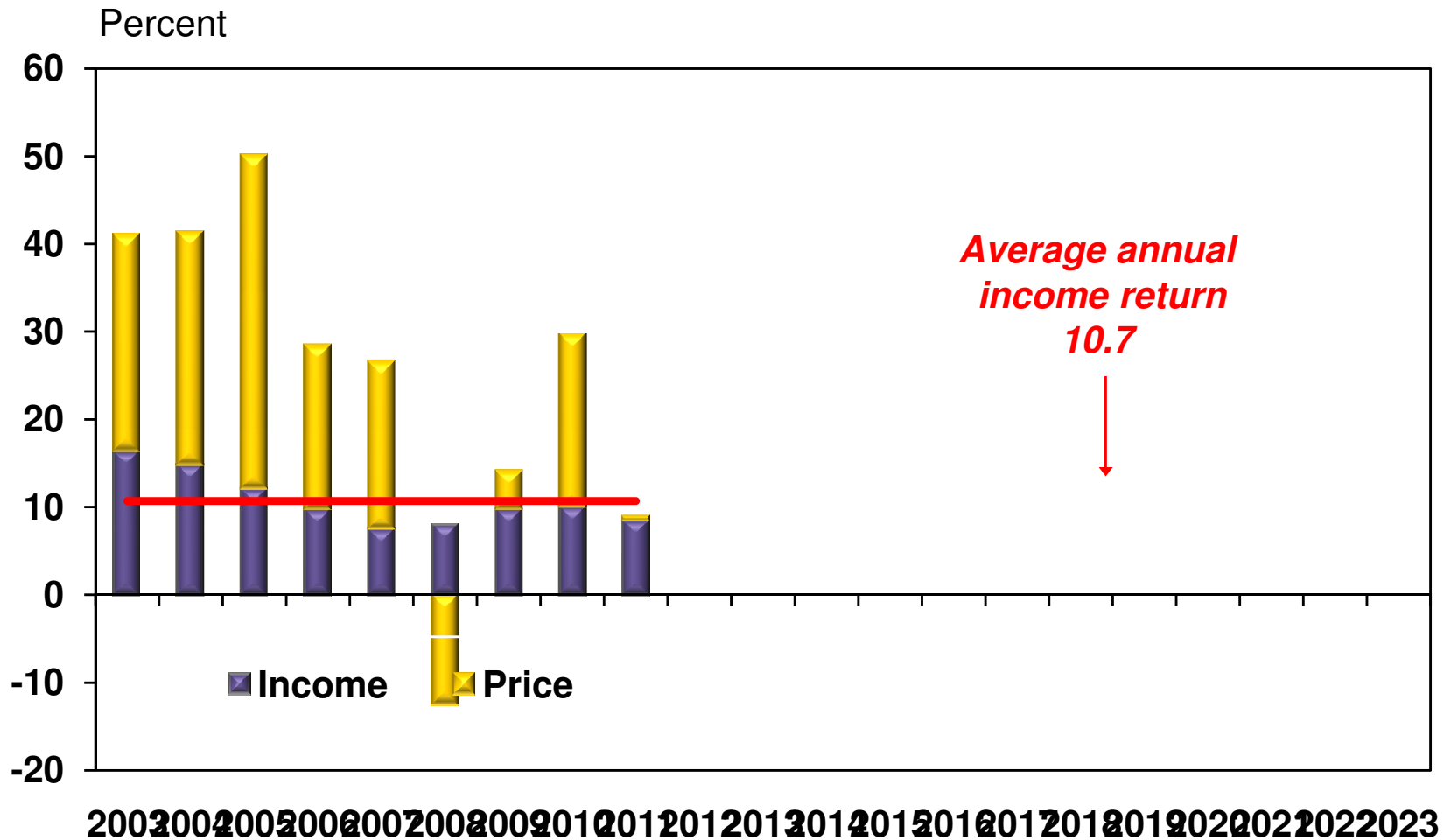
# Dividends

## Deliver Reliable Current Income



Average annual returns: 25.0 percent

Average annual income: 10.7 percentage points or 43 percent of total return



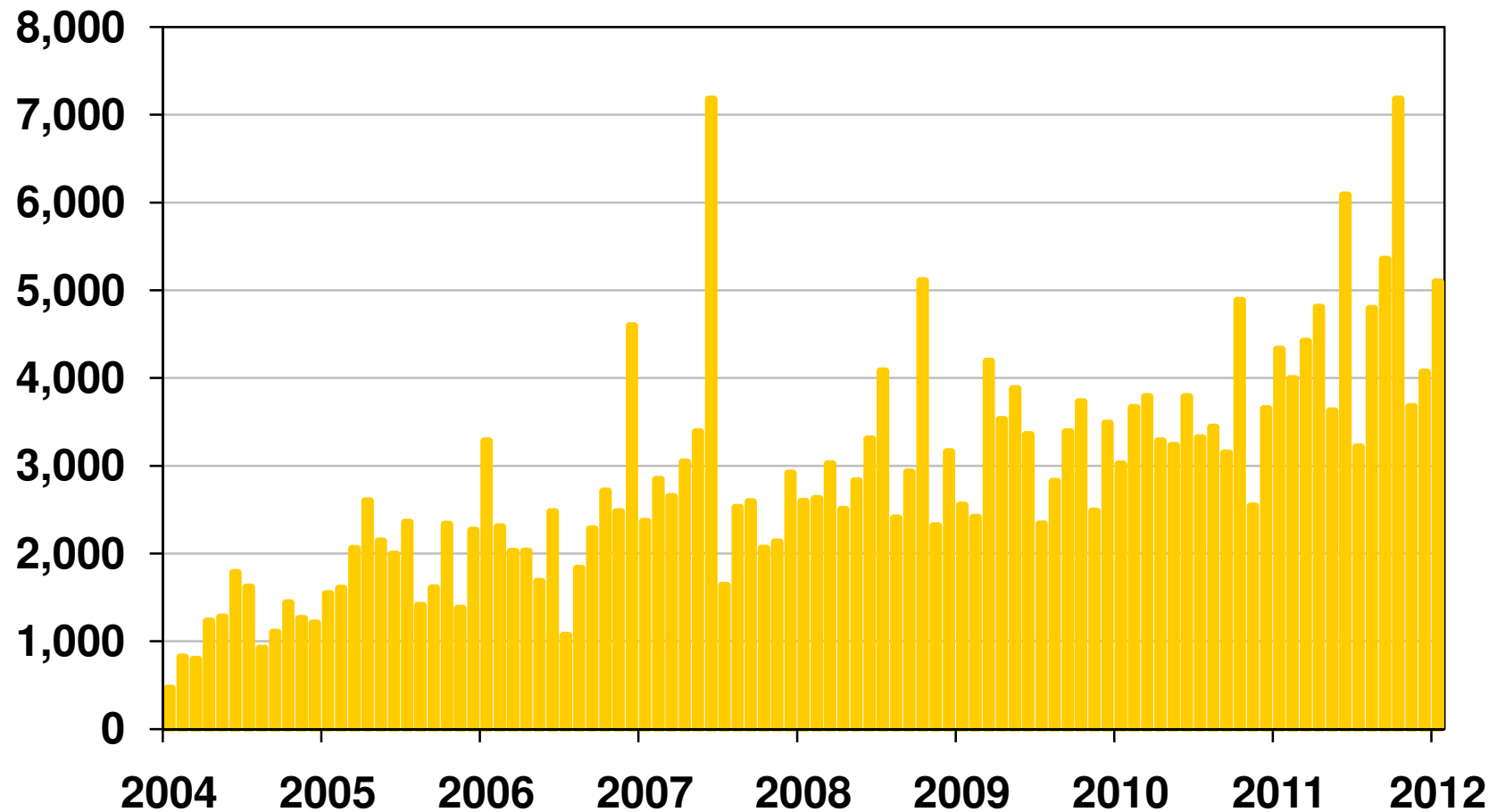
Source: I-Net

# Liquidity

## Average Daily Trading Volume



Market liquidity improved, value traded up from less than R500m a month to R5bn a month



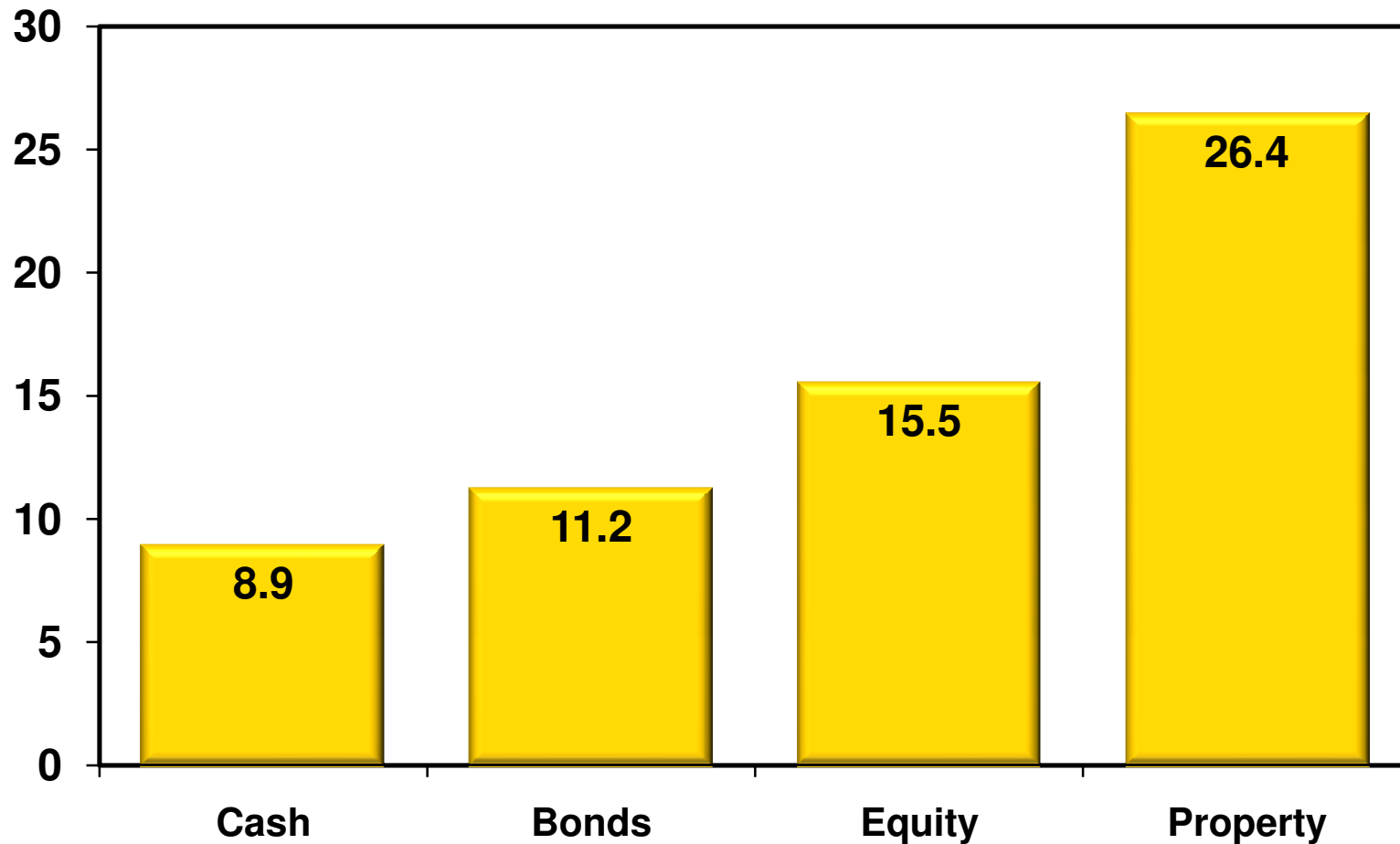
Data as at 30 June 2012; Source: I-Net

# Performance

## Outperform Leading SA Benchmarks



*10 -Year annual compound total returns in percent, as at 30 June 2012*



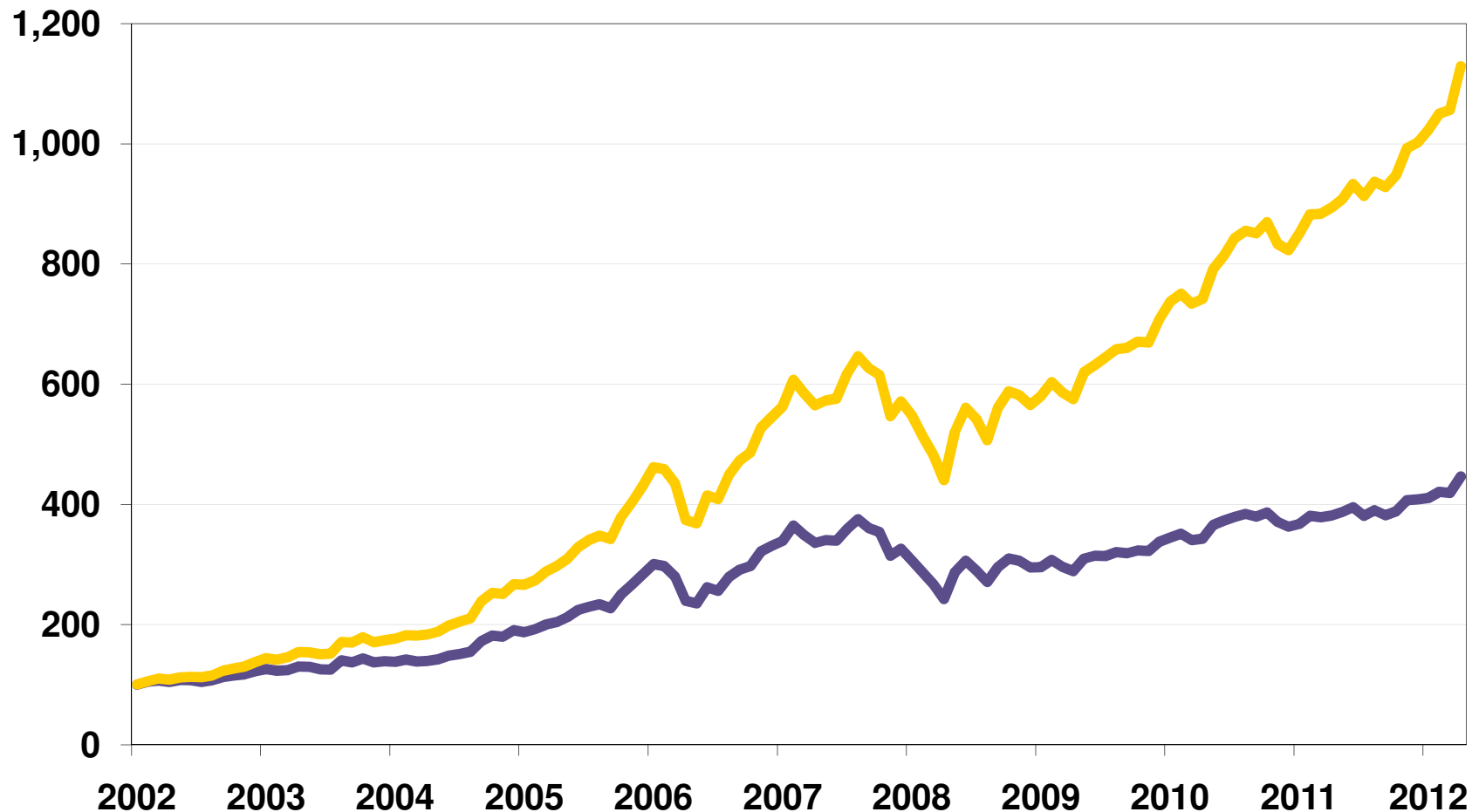
Source: I-Net

# Performance

## Cumulative Performance



R100 in **JSAPY Price** in March 2002 equals **R447** in June 2012  
R100 in **JSAPY Total Return** in March 2002 equals **R1129** in June 2012



Source: I-Net

# Transparency

## Constituent Weightings



Constituents	Weight (%)	Constituents	Weight (%)
Growthpoint	25.16	Sycom	2.86
Redefine	14.47	Fortress Income A	2.47
Capital	10.08	Rebosis	1.48
Resilient	7.57	New Europe Prop Inv	1.24
Hyprop	7.11	Premium	1.18
Fountainhead	5.40	Hospitality – A	1.04
Acucap	4.79	Investec Prop	0.73
SA Corp	4.39	Octodec	0.71
Vukile	4.38	Redefine Prop Int	0.62
Emira	4.06	Hospitality - B	0.27

*Data as at 30 June 2012*



- **Through your stockbroker:**

Share Code: **PTXSPY**

Price: **R44.95**

Historical Yield: **6.84%**

- **Through intransact investment platform:**

[www.itransact.co.za](http://www.itransact.co.za)

- **Through etfSA investment platform:**

Min debit order: **R300 p/m**

Min lump sum: **R1000**

[www.etfsa.co.za](http://www.etfsa.co.za)

# Benefits to Investing in PropTrax<sup>Ten</sup>



Methodology

Diversification

Performance

Transparency

Accessibility

### Review Methodology

The customised index will comprise of the top 10 companies by investable company market capitalisation in the J253-SAPY Index. Multiple lines of stocks will be added together to rank by investable company market cap.

Non-constituents will be eligible for inclusion if they are ranked on the 8th position or above and current constituents will be removed if they are ranked on the 13th position or below.

If a non constituent is consistently ranked in the 9th or 10 position for 3 consecutive reviews it will then be eligible for inclusion to the index at the third review. The lowest ranking current constituent will be deleted from the index.

The index will contain a fixed number of constituents and the reserve list will be J253 FTSE/JSE SA Listed Property Index (SAPY).

Index constituents to be equally weighted

***Review Universe***

The index series is based on the FTSE/JSE SA Listed Property Index (J253 - SAPY).

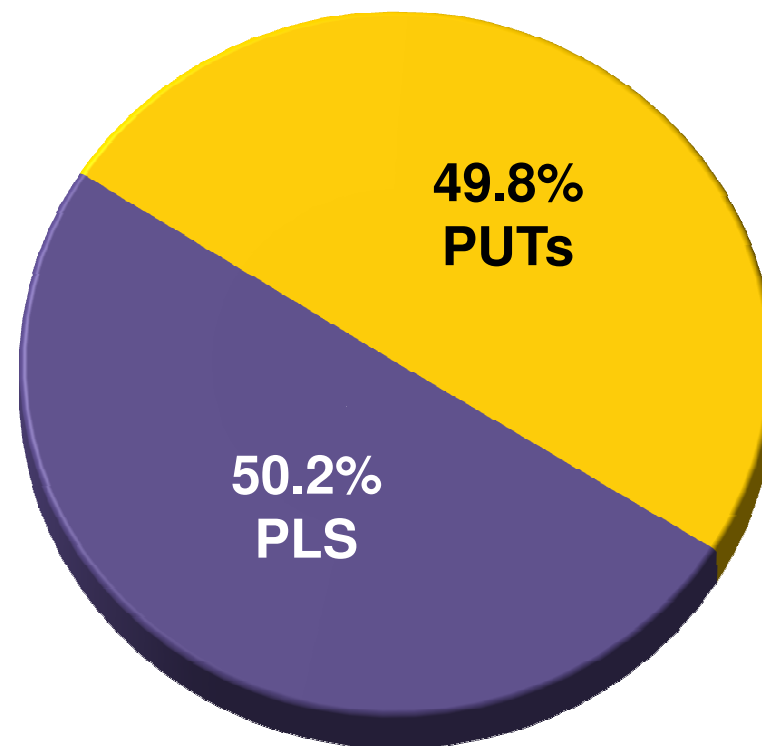
***Main calculation currency***

The indices will be calculated in South African Rand.

This methodology is to be read in conjunction with the FTSE/JSE Africa Index series rules.

10 counters in the Property Index Tracker Top Ten Equally Weighted Index

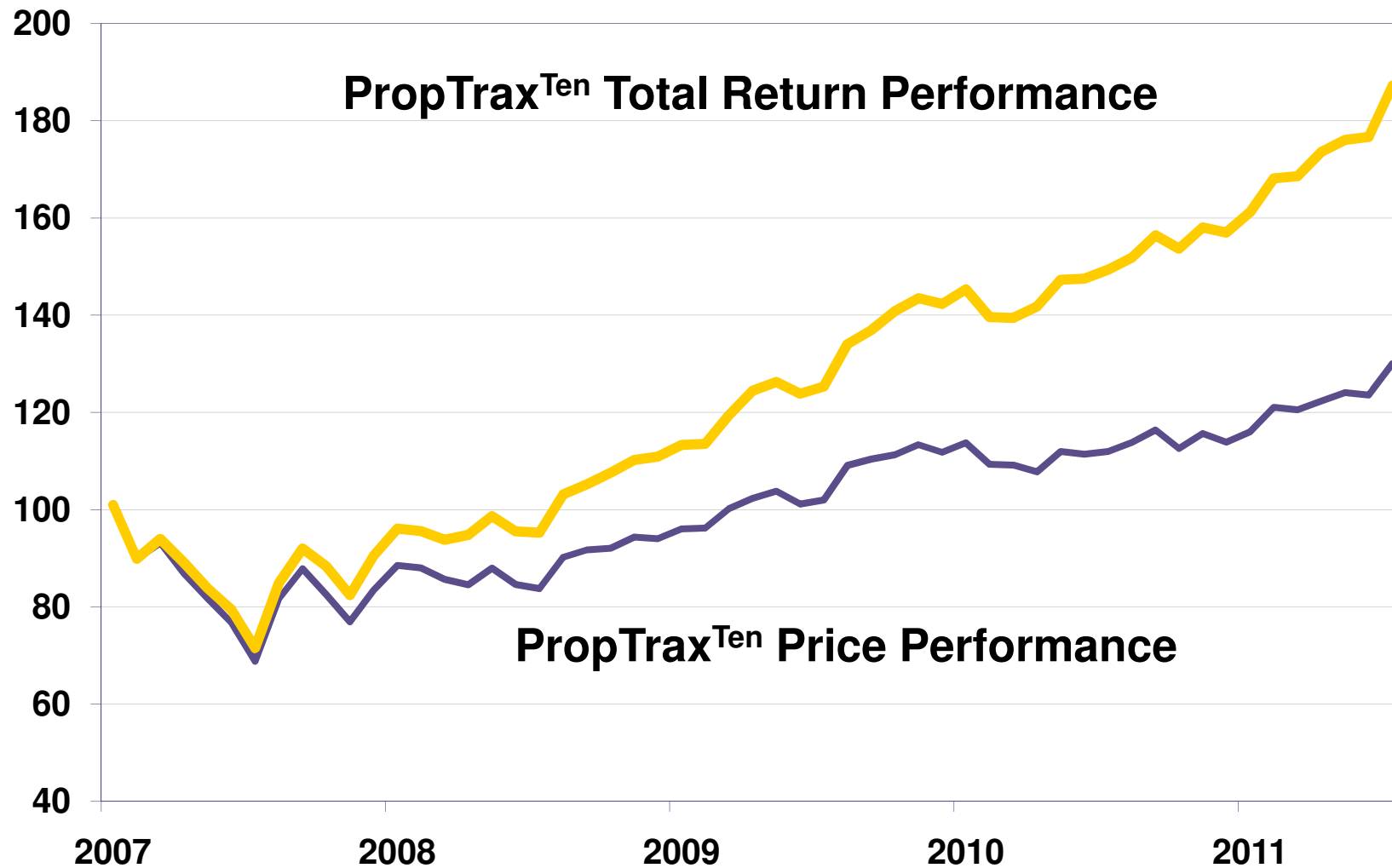
- 5 PUTs
- 5 PLS



*Data as at 30 June 2012*

# Performance

## Cumulative Performance



Data as at 30 June 2012; Source: FTSE/JSE, PropTrax Managers

# Performance (ASISA) Domestic Real Estate General



UT Rankings Jun 2012 Group Investment	3 Years Ann Return (%)	Rank
PropTrax Top Ten Index	25.26	1
SAPY Index	25.22	2
Fund A	24.56	3
Fund B	24.48	4
Fund C	24.32	5
Fund D	23.51	6
Fund E	23.41	7
Fund F	22.83	8
Fund G	22.82	9
Fund H	22.72	10
Fund I	22.71	11
Fund J	22.27	12
Fund K	22.16	13
Fund L	22.09	14
Fund M	21.86	15
Fund N	21.80	16
Fund O	21.71	17
Fund P	19.85	18
Fund Q	19.37	19
Fund R	18.19	20
Fund S	14.53	21
Fund T	10.89	22

*Data as at 30 June 2012;  
Source: Micropal, FTSE/JSE,  
PropTrax Managers*

# Transparency

## Constituent Weightings



Constituents	Weight (%)	Constituents	Weight (%)
Growthpoint	10.24	Fountainhead	10.04
Emira	10.16	Redefine Prop	9.99
Capital	10.11	SA Corp	9.95
Hyprop	10.08	Acucap	9.87
Resilient	10.04	Sycom	9.52

*Note: Equal weightings of 10.0% each (as at the quarterly rebalancing date).*

*Data as at 30 June 2012*



# Accessibility

## How to invest in PropTrax<sup>Ten</sup>



- **Through your stockbroker:**

Share Code: **PTXTEN**

Price: **R13.00**

Historical Yield: **7.03%**

- **Through intransact investment platform:**

[www.itransact.co.za](http://www.itransact.co.za)

- **Through etfSA investment platform:**

Min debit order: **R300 p/m**

Min lump sum: **R1000**

[www.etfsa.co.za](http://www.etfsa.co.za)

# Thank You

Tel: +27 11 612 6888

email: [info@propertyindextracker.co.za](mailto:info@propertyindextracker.co.za)

website: [www.proptrax.co.za](http://www.proptrax.co.za)



**PROPERTY**  
index tracker