



Building Up Your Wealth Through Investment In Exchange Traded Products (ETPs)

Women's Investment Seminar

JSE, 17th August 2013

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The Home of Exchange Traded Funds[®]



Agenda

- What are Exchange Traded Products (ETPs)?
- The Case for ETPs.
- How to Invest in ETPs.
- Retirement Annuity Funds with ETPs.



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 June 2013) FTSE/JSE Top 40 Index | | | |
|---|-------------------------|----------------------------|-------------------------|
| | Market Cap Weighted (%) | | Market Cap Weighted (%) |
| Absa Group Limited | 1,14 | Compagnie Fin Richemont | 8,32 |
| African Rainbow Minerals | 0,28 | Discovery | 0,59 |
| Anglo Platinum Ltd | 0,40 | Exxaro Resources Ltd | 0,49 |
| Anglo American Plc | 6,20 | Firstrand Ltd | 2,04 |
| Anglo Gold Ashanti Ltd | 1,24 | Gold Fields Ltd | 0,85 |
| Aspen Pharmacare Hldgs | 1,39 | Growthpoint Properties Ltd | 1,06 |
| Assore Ltd | 0,25 | Impala Platinum Holdings | 1,12 |
| BHP Billiton Plc | 13,35 | Imperial | 0,84 |
| Bidvest Group Ltd | 1,53 | Investec Ltd | 0,32 |
| British American Tobacco | 3,60 | Investec Plc | 0,94 |



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|---|-------------------------|------------------------------|-------------------------|
| | Market Cap Weighted (%) | | Market Cap Weighted (%) |
| Intu Properties Plc | 0,77 | RMB Holdings Ltd | 0,69 |
| Kumba Iron Ore Ltd | 0,63 | SABMiller Plc | 11,64 |
| Mediclinic International Ltd | 0,67 | Sanlam Ltd | 2,05 |
| Massmart | 0,46 | Sasol Ltd | 5,57 |
| Mondi Ltd | 0,36 | Shoprite Holdings Ltd | 1,89 |
| Mondi Plc | 1,09 | Standard Bank Group Ltd | 3,24 |
| MTN Group | 7,27 | Steinhoff International Hldg | 1,09 |
| Naspers Ltd -N- | 6,66 | Tiger Brands Ltd | 1,10 |
| Nedbank Group Ltd | 0,84 | Truworths | 0,94 |
| Old Mutual Plc | 3,08 | Vodacom Group | 0,83 |
| Remgro Ltd | 2,10 | Woolworths Holdings Ltd | 1,10 |



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

- **Low Costs**

- You buy an entire portfolio, but only pay trading costs once.
- Average management costs (Total Expense Ratios – TERs) for ETPs one-quarter to one-third those of actively managed unit trusts.
- No Securities Transfer Tax (STT) payments.
- Low cost platforms available for ETPs.



The Case for ETPs

- **Tax efficient**
 - No STT
 - Most pay dividends quarterly – a 15% dividend withholding tax already deducted
 - Capital gains (13% for individuals) only applicable when you sell your ETP securities.
- **Tradable**
 - Trade all day on the JSE
- **Safety**
 - Settlement, transfer, registration, takes place through the electronic JSE/STRATE register, which guarantees individual holdings.
 - All ETPs are listed public companies so are regulated and governed by the JSE.
 - Most ETPs are also Collective Investment Schemes directly regulated by the Financial Services Board (FSB).



The Case for ETPs

- **Transparent**

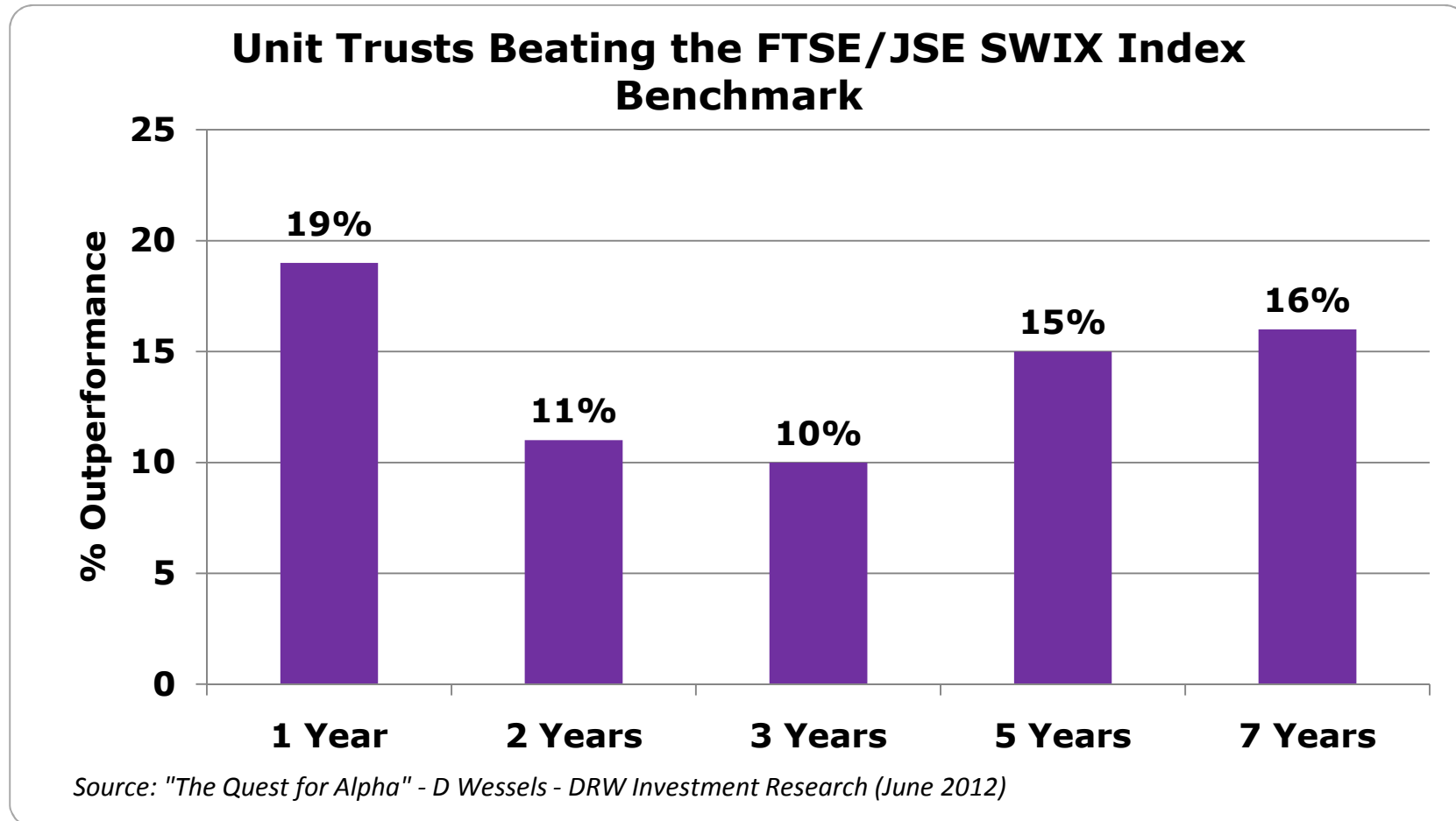
- Underlying portfolio holdings published daily
- Open price discovery on the JSE
- Passive mandates generate greater certainty and clarity for investors.

- **Diversification**

- Purchasing a portfolio of top quality index shares:
 - spreads risk
 - reduces volatility
 - enhances performance potential.



Why You Should Be Using ETFs/ETNs



Why Invest In ETFs/ETNs?

Current value of **R1000 – R5000 per month** investment in **Satrix INDI 25 ETF**

| | R1000 per month (R) | R5000 per month (R) |
|-----------------|---------------------|---------------------|
| After 3 Years | 52 767 | 263 835 |
| After 5 Years | 124 486 | 622 429 |
| After 10 Years | 420 943 | 2 104 715 |
| After 20 Years* | 4 630 940 | 24 249 105 |

*Source: Profile Data/etfSA.co.za (12/8/2013).
Total returns with dividends reinvested.
* Extrapolated on past 10 year's performance.
Note: Historic performance will not necessarily be repeated in future.*

Let Your Capital Work for You!



Sample Portfolio

(R300 per month debit order in each ETP)

| | Fund | 3 Year Total Return* (% per annum) | Current Value** After 3 Years (R) | Current Value** After 5 Years (R) |
|-----------------|--|------------------------------------|-----------------------------------|-----------------------------------|
| Domestic Equity | Satrix INDI 25 ETF | 28,52% | 15 830 | 37 346 |
| Bonds | RMB Inflation-X ETF | 7,87% | 12 216 | 21 450 |
| Property | Proptrax SAPY ETF | 15,93% | 13 914 | 28 722 |
| Foreign Equity | DBX Tracker MSCI USA ETF | 29,36% | 17 428 | 32 493 |
| Total | | | 59 388 | 120 011 |
| * | <i>Total return with dividends reinvested over past 3 years.</i> | | | |
| ** | <i>Current value (12 August 2013) for R300 per month invested in each ETF.</i> | | | |
| Source: | <i>etfSA.co.za / Profile Data (12/8/2013).</i> | | | |
| Note: | <i>Historic returns may not be replicated in future.</i> | | | |



Information on ETFs/ETNs



The Home of Exchange Traded Funds®

| | | | | | | | |
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| Home | About etfSA | ETFs | ETNs | How to Invest | ETP Education | Watchlists | Performance Data |
|------|-------------|------|------|---------------|---------------|------------|------------------|

ETFs | Equally Weighted Top 40 Portfolio: 4432 ▲ 36.00 (0.82%) | ETF BettaBeta Green: 1659 ▲ 6.00 (0.36%) | ETF db x-trackers DJ Euro Sto:
ETNs | Bank AG: 1 ▼ 0.00 (0.00%) | ETN - Deutsche Bank MSCI Africa Capped 50 TRI: 8291 ▼ 0.00 (0.00%) | ETN - Deutsche Bank MSCI Chin:

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July 2013 - Monthly etfSA.co.za South African ETF, ETN & Unit Trust Index Tracking Performance Survey

What are the comparative costs of using investment plan platforms rather than online stockbrokers to transact ETPs?

State of the South African Exchange Traded Product Industry Review

June 2013 - Monthly etfSA.co.za South African ETF, ETN & Unit Trust Index Tracking Performance Survey

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- ▶ Transact online all ETFs/ETNs
- ▶ Low costs
- ▶ Easy Access & Switching

SEMINAR

The launch of the **etfSA Retirement Annuity Fund**
21 August 2013

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EVERYTHING YOU NEED TO KNOW ABOUT ETFs & ETNs



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Information on ETFs/ETNs (continued)

May 2013 - Monthly etfSA.co.za South African ETF, ETN & Unit Trust Index Tracking Performance Survey

The ETP options available for investing directly in platinum

April 2013 - Monthly etfSA.co.za SA ETF, ETN & Index Tracking Product Survey

How and when to use ETPs?

State of the ETP Industry Review: 1st Quarter 2013

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ETF and ETN Products

To view the product profile information and price graphs, please select the ETF/ETN product you require.

ETF - Quick Sheets

ETF - Full Fact Sheets

ETN - Quick Sheets

ETN - Full Fact Sheets

[Click here](#) to view a brief description of the different types of ETFs/ETNs

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Quick Facts on ETFs

Spotlight on new products

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with apples

RMB MidCap ETF share split

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How To Invest In ETFs/ETNs

| Through Stockbrokers | Through Investment Plans (etfSA.co.za Investor Plan/ Satrix Investment Plan) |
|--|---|
| <ul style="list-style-type: none"> • Minimum investment amounts often apply. | <ul style="list-style-type: none"> • R1000 lump sum. |
| <ul style="list-style-type: none"> • No debit orders. | <ul style="list-style-type: none"> • R300 debit order. |
| <ul style="list-style-type: none"> • Brokerage minimum charge R85-R125 per transaction. | <ul style="list-style-type: none"> • Brokerage 0,1% of investment value. |
| <ul style="list-style-type: none"> • Annual custodian fees – R600-R700. | <ul style="list-style-type: none"> • Included in annual management fee (0,40% to 0,70%). |
| <ul style="list-style-type: none"> • Advisory fees 1% per annum. | <ul style="list-style-type: none"> • n/a |



The Advantages of Using an Investment Platform for ETPs

- 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.
- Specialise in ETPs only.



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RETIREMENT FUNDS USING ETPs



Why Retirement Annuity (RA) Funds?

- Build up your own retirement fund.
- Tax deductible contributions.
- Preservation of capital – cannot withdraw until at least 55 years of age.
- Tax efficient portfolio structures.
- Direct distribution of funds to beneficiaries in the event of your death.



etfSA Retirement Annuity Fund

3 Portfolios

| | |
|----------------|--|
| CPI +3% | Wealth Conservator Fund Investors close to retirement looking to preserve their savings. |
| CPI +5% | Wealth Builder Fund Matches need for capital growth of retirement savings matched with low risk investment philosophy. |
| CPI +7% | Wealth Enhancer Fund Relatively aggressive targeted returns, but with full asset diversification. |



etfSA Retirement Annuity Funds

PERFORMANCE HISTORY

| | 1 Year | 3 Years (p.a.) | 5 Years (p.a.) | 10 Years (p.a.) |
|--|--|-------------------|-------------------|--------------------|
| Wealth Conservator Fund (CPI +3%) | 9,6% | 11,9% | 11,1% | 14,1% |
| CPI +3% Target | 8,7% | 8,4% | 8,4% | 8,6% |
| Wealth Builder Fund (CPI +5%) | 11,9% | 13,4% | 11,0% | 15,5% |
| CPI +5% Target | 10,9% | 10,6% | 10,6% | 10,6% |
| Wealth Enhancer Fund (CPI +7%) | 13,5% | 14,7% | 12,0% | 17,5% |
| CPI +7% Target | 13,1% | 12,6% | 12,6% | 13,0% |
| Source: | Nedbank Capital etfSA RA Fund Fact Sheets (end July 2013). | | | |



Why etfSA RA Funds?

| | |
|--|---|
| Low “clean” costs | 1,35% - total reduction in yield. |
| Transparent, low risk | Portfolio that achieves targeted returns. |
| Price published daily | Know the value of your retirement savings at all times. |
| Flexible contributions | From R300 per month. R5000 lump sum. R1000 for additional investments (no limits on maximum contributions). |
| Transfer from existing retirement funds | Section 14 transfers (no costs payable to etfSA RA Fund). |
| <u>No penalties</u> | If you cannot continue contribution, or you want to transfer out, no penalty. |
| <u>Tax efficient</u> | All tax concessions applicable to retirement funds apply. |

“The Retirement Annuity Funds
for the 21st Century”



Contact Details

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