

Introduction to Exchange Traded Products (ETPs)

Presentation at:
Investor Club / Stokvels
Education Seminar - JSE
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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 2014)
FTSE/JSE Top 40 Index

	Market Cap Weighted (%)		Market Cap Weighted (%)
African Rainbow Minerals	0,38	Capital & Countries Prop	0,23
Anglo Platinum Ltd	0,54	Compagnie Fin Richemont	9,66
Anglo American Plc	6,60	Discovery	0,44
Anglo Gold Ashanti Ltd	1,40	Exxaro Resources Ltd	0,34
Aspen Pharmacare Hldgs	1,59	Firststrand Ltd	2,02
Assore Ltd	0,26	Growthpoint Properties Ltd	0,80
Barclays Africa Group	0,91	Impala Platinum Holdings	1,17
BHP Billiton Plc	13,10	Imperial	0,57
Bidvest Group Ltd	1,63	Investec Ltd	0,39
British American Tobacco	3,28	Investec Plc	0,97

Components of FTSE/JSE Top 40 Index

Index Weights – Basket of Constituents (as at March 2014) FTSE/JSE Top 40 Index			
	Market Cap Weighted (%)		Market Cap Weighted (%)
Intu Properties Plc	0,69	Remgro Ltd	1,83
Kumba Iron Ore Ltd	0,41	RMB Holdings Ltd	0,60
Life Healthcare Grp Hldgs	0,65	SABMiller Plc	9,63
Mediclinic International Ltd	0,58	Sanlam Ltd	2,00
Mondi Ltd	0,43	Sasol Ltd	6,15
Mondi Plc	1,32	Shoprite Holdings Ltd	1,26
MTN Group	7,21	Standard Bank Group Ltd	3,10
Naspers Ltd -N-	8,65	Steinhoff International Hldg	2,01
Nedbank Group Ltd	0,84	Tiger Brands Ltd	0,79
Old Mutual Plc	3,12	Vodacom Group	0,80
Reinet Inv Soc Anon	0,64	Woolworths Holdings Ltd	1,00

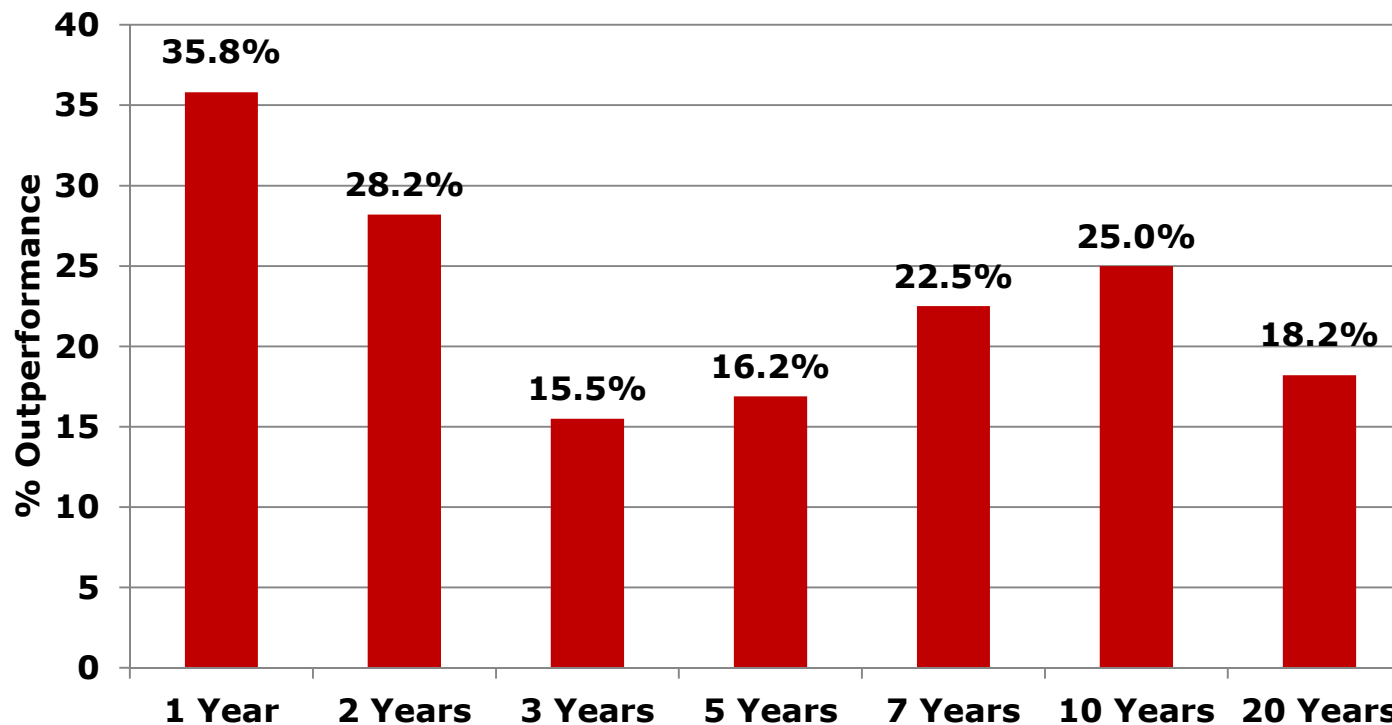
The Case for ETPs

- 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.

Why You Should Be Using ETFs/ETNs

Percentage of Actively Managed General Equity Unit Trusts that Outperformed the FTSE/JSE All Share Index



Source: Unit Trust Survey (31 December 2013)

What ETFs/ETNs to buy?

Total SA equity market exposure (pure Beta)	Track the FTSE/JSE Top 40 .	<ul style="list-style-type: none"> • Satrix 40 ETF • BettaBeta EWT 40 ETF
Exposure to sectors of the market	Track Industrial, Financial, Resources, MidCap indices, etc.	<ul style="list-style-type: none"> • Satrix INDI 25 ETF • NewFunds eRAFI FINI 15 ETF • RMB MidCap ETF
Bonds	Track portfolios of SA Government bonds.	<ul style="list-style-type: none"> • Investec zGOVI ETF • RMB Inflation-X ETF
Property	Track listed Property indices.	<ul style="list-style-type: none"> • Proptrax SAPY ETF • Proptrax TEN ETF
Money Market	Invest in cash/near cash instruments	<ul style="list-style-type: none"> • NewFunds TRACI ETF • PrefEx ETF

Continued/...

What ETFs/ETNs to buy? (continued)

Foreign Equity Markets	Track main offshore indices in rands (rand denominated assets).	<ul style="list-style-type: none"> • DBX Tracker MSCI World ETF • DBX Tracker MSCI USA ETF • DB Emerging Markets ETN
"Smart" ETFs	Track indices with a "Theme" or "Style".	<ul style="list-style-type: none"> • Satrix DIVI ETF • Satrix RAFI 40 ETF • Nedbank BGreen ETF
Other Assets	Track physical commodity prices, currencies, etc.	<ul style="list-style-type: none"> • NewGold ETF, NewPlat ETF • Standard Bank Platinum-Linker or Palladium-Linker ETNs

Sample Portfolio

(R300 per month debit order in each ETP)

Sector	Fund	Current Value* After 3 Years (R)	Current Value* After 5 Years (R)
Broad SA Equity	Satrix SWIX Top 40 ETF	14 950	29 560
JSE Sectors	Satrix INDI 25 ETF	16 850	36 850
SA Bonds	RMB Inflation-X ETF	12 005	22 500
Listed Property	Proptrax SAPY ETF	14 055	25 740
Foreign Equity	DBX Tracker MSCI USA ETF	18 370	36 775
TOTAL		76 240	151 425
*	<i>Current value (23 March 2014) for R300 per month invested in each ETF.</i>		
Source:	<i>etfSA.co.za / Profile Data (23/3/2014).</i>		
Note:	<i>Historic returns may not be replicated in future.</i>		

Sample Portfolio

(R1000 per month debit order in each ETP)

Sector	Fund	Current Value* After 3 Years (R)	Current Value* After 5 Years (R)
Domestic Equity	Satrix SWIX Top 40 ETF	49 835	98 530
JSE Sectors	Satrix INDI 25 ETF	56 170	122 835
SA Bonds	RMB Inflation-X ETF	41 125	74 850
Listed Property	Proptrax SAPY ETF	46 850	85 800
Foreign Equity	DBX Tracker MSCI USA ETF	61 260	122 585
TOTAL		255 240	504 600
*	<i>Current value (23 March 2014) for R1000 per month invested in each ETF.</i>		
Source:	<i>etfSA.co.za / Profile Data (23/3/2014).</i>		
Note:	<i>Historic returns may not be replicated in future.</i>		

Information on ETFs/ETNs



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Continued/...

Information on ETFs/ETNs (continued)

▶ South African ETF, ETN & Unit Trust Index Tracking Performance Survey

▶ 2013 – Record Year for ETP Industry

▶ ETPs in 2013 - PERFORMANCE ISSUES

December 2013 - Monthly etfSA.co.za

▶ South African ETF, ETN & Unit Trust Index Tracking Performance Survey

November 2013 - Monthly etfSA.co.za

▶ South African ETF, ETN & Unit Trust Index Tracking Performance Survey

October 2013 - Monthly etfSA.co.za

▶ South African ETF, ETN & Unit Trust Index Tracking Performance Survey

State of the South African Exchange

▶ Traded Product Industry Review - 3rd Quarter 2013

▶ News Archive

Events & Services

▶ Seminars

- ▶ Absa (NewFunds), RMB, DBX Trackers, Investec, Nedbank, Proptrax, Satrix, Standard Commodity Linkers
- ▶ Transact online all ETFs/ETNs
- ▶ Low costs
- ▶ Easy Access & Switching
- ▶ From R300 per month
- ▶ From R1000 for lump sums

[Click here to invest.](#)

ETF and ETN Products

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

- ▶ [ETF - Quick Sheets](#)
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- ▶ [ETN - Quick Sheets](#)
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- ▶ [Click here to view a brief description of the different types of ETFs/ETNs](#)

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EVERYTHING
YOU NEED TO
KNOW ABOUT
ETFs & ETNs



Quick Facts on ETFs

SPOTLIGHT

Starting & Managing an Investor Club/ Stokvel

FICA REQUIREMENTS (to be sent to investment administrators)

- **Copy of Constitution / Founding Statement.**
- **Election Document / Letter for Representative / Authorised Person.**
- **Copy of Register of Investors.**
- **Copy of Club / Stokvel bank statement/cancelled cheque.**
- **FICA documents for Representative/Authorised Person.**
 - **ID**
 - **Proof of residence.**

Using ETPs In Investor Clubs / Stokvels

- **Less risk (more diversification) by using ETP portfolios to provide exposure to equities, bonds, listed property and other asset classes.**
- **Low costs do not eat into investment performance.**
- **Low investment minimums**
 - **Lump sum investments from R1000 for initial/additional investments**
 - **Can do debit orders from R300 per month/product.**
- **Quarterly dividends can be paid out or reinvested depending on choice of Club/Stokvel.**

Continued/...

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.
- Financial advice can be provided for large portfolio investments.

Visit www.etfsa.co.za

Retirement Annuity Portfolios for the 21st Century

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.

Features of etfSA Retirement Annuity Fund

High Flexibility

- Flexible contributions
 - From R5000 lump sum
 - From R300 per month
 - R1000 for additional lump sums
- Switch between etfSA RA portfolios at no cost.
- Transfer in or out of etfSA RA Fund at no cost under Section 14 transfer.
- No penalties if you cannot continue contributions or want to change any contributions.
- Can invest directly, without financial advisor.
- Or can use financial adviser (trailing commissions of up to 1% per annum can be paid).

etfSA RA Fund – Wealth Enhancer Fact Sheet

BETTABETA

CPI+7% target return fund

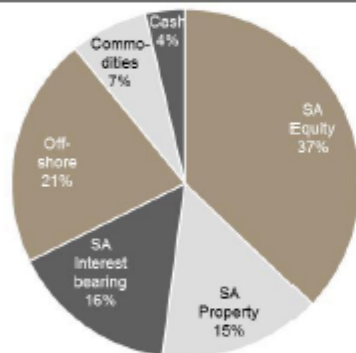
February 2014

etfSA Wealth Enhancer RA Fund



The Home of
Retirement Funds

Benchmark Asset Allocation



Key Information

Sector

SA Multi-asset – Medium Equity
(Reg. 28 compliant)

Composite Benchmark

33%ALSH+15%SAPY+10%ALBI
+10%ILBI+5%STeFI+27%MXWR

Return Target

CPI+7% over rolling three years

The etfSA Wealth Enhancer RA Fund aims to preserve the purchasing power of assets over time by achieving targeted returns of 7% in excess of the level of inflation (as measured by the Consumer Price Index, or CPI) over rolling three year periods, while reducing the volatility associated with market-linked investments. The fund is constructed through strategic allocations into a range of exchange traded products, exposed to different asset classes, which optimises the cost efficiency and transparency of the fund. The fund is ideal for investors who are self-employed or already contributing to an employer's retirement fund and would like to make additional savings for retirement. The portfolio is suitable for an investor with an investment horizon of at least 15 years and beyond – it is designed to provide maximum growth in capital with a high targeted real return. The portfolio is well-suited for risk-tolerant investors with real return objectives, seeking long term wealth creation, who in terms of their liabilities, have to earn investment returns in excess of inflation. The portfolio does not pay out dividends – any distributions received from underlying investments are automatically reinvested into the portfolio to allow for additional compounded growth.

Model Portfolio Investment Returns compared to Market Performance

(%)	6m	1yr	3yrs (p.a.)	3yr Stdev	5yrs (p.a.)	10yrs (p.a.)
FTSE/JSE All Share Index (ALSI)	13.6	22.8	17.1	11.7	24.1	19.2
FTSE/JSE SA Listed Property Index (SAPY)	4.7	-0.3	18.1	14.7	19.1	22.8
FTSE/JSE All Bond Index (ALBI)	3.1	-1.0	8.7	6.8	8.6	8.9
BarCap Inflation-Linked Bond Index (ILBI)	3.4	-3.0	6.5	7.5	6.5	8.9
Cash - ST Fixed Income Index (STeFI)	2.6	5.2	5.5	0.1	6.3	7.5

<http://www.etsara.co.za/factsheets/etfSA-RA-CPI+7-feb2014.pdf>

etfSA RA Fund – Wealth Enhancer Fact Sheet

SA Multi-asset – Medium Equity
(Reg. 28 compliant)

Composite Benchmark

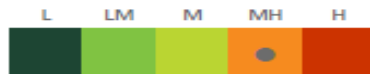
33%ALSI+15%SAPY+10%ALBI
+10%ILBI+5%STeFI+27%MXWR

Return Target

CPI+7% over rolling three years

Risk Profile

Medium to High (MH)



Fund Total Expense Ratio (TER),
incl. in total below
0.35% + VAT
NO performance fees
TOTAL cost (Retirement Annuity,
Administration and Fund management)
1.35% + VAT

Contact us

Retirement Annuity Provider:
etfSA RA Funds

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Model Portfolio Investment Returns compared to Market Performance

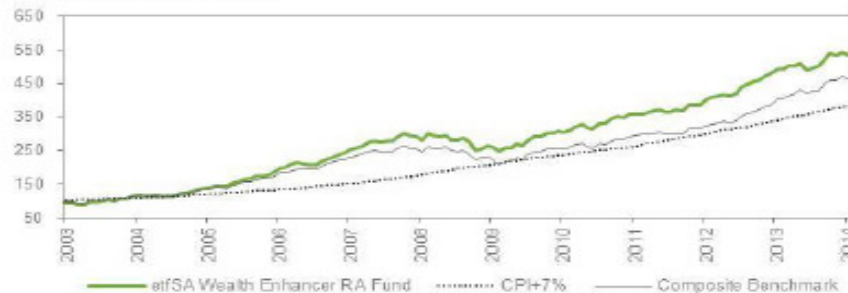
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Cash - ST Fixed Income Index (STeFI)	2.6	5.2	5.5	0.1	6.3	7.5
MSCI World Index in ZAR (MXWR)	19.0	42.1	24.1	13.1	19.0	9.7
CPI+7%		13.4	13.5		13.0	13.5
CPI+7% Model Portfolio	8.7	10.8	15.0	6.6	17.3	16.9
etfSA Wealth Enhancer RA Fund	8.6					

Refer to Note 1 on back page

Actual Portfolio Holdings

Asset class	Reg. 28 Category	Description	Weight (%)
SA Equity	Equities (max 75%)	BettaBeta Equally Weighted Top40 ETF	19.1
		BettaBeta Green ETF	6.8
		RMB MidCap ETF	6.4
		Satrix Div Plus ETF	4.8
SA Property	Immovable Property (max 25%)	Proptrax Ten ETF	15.0
		RMB Inflation-linked GOVI ETF	7.9
SA Interest bearing	Debt (max 75%)	NewFunds GOVI ETF	7.7
		Cash (max 100%)	3.7
Offshore	Foreign exposure (max 25%)	dB X-Trackers World ETF	10.3
		dB X-Trackers Emerging Markets ETN	6.6
		StdBank Africa ETN	4.5
		Gold (max 10%)	3.1
Commodities	Other (max 5%)	StdBank Oil ETN	2.7
		StdBank Wheat ETN	1.4

Historical performance



Contact details

Websites	www.etfsa.co.za – fully internet based www.etfsara.co.za (etfSA RA Fund)
etfSA Call Centre	0861 383 721 (0861 ETFSA1) queries@etfsa.co.za 0861 383 727 (etfSA RA Fund)
etfSA Management	Tel: 011 561 6653 Fax: 011 388 4674 info@etfsa.co.za

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