

Investing in ETFs

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The Home of Retirement Funds

What Are ETFs?

- They are securities (shares) listed on the JSE that trade like any normal share on the Main Board.
- Instead of giving access to the performance of **single company**, they provide **multi-company** investment exposure.
- The portfolios offered by ETFs are the components of an **index** (passive investment) and not an **actively managed** investment portfolio.

What is an Index?

Index Weights – Basket of Constituents (as at September 2017)
FTSE/JSE Top 40 Index

	Market Cap Weighted (%)		Market Cap Weighted (%)
Anglo Ashanti	0,87	FirstRand Ltd	2,62
Anglo American Plc	4,81	Fortress Inc Fund A	0,30
Aspen Pharmacare Hldgs	1,69	Fortress Inc Fund B	0,47
Barclays Africa Group	1,44	Goldfields	0,72
BHP Billiton Plc	8,71	Growthpoint Properties Ltd	1,04
BID Corp Ltd	1,60	Investec Ltd	0,42
Bidvest Ltd	0,91	Investec Plc	0,95
British American Tobacco	4,30	Intu Properties Plc	0,55
Capitec	0,76	Life Healthcare Group	0,52
Compagnie Fin Richemont	10,17	Mediclinic International Ltd	0,65
Discovery	0,78	Mondi Ltd	0,63

What is an Index? (continued)

Index Weights – Basket of Constituents (as at September 2017) FTSE/JSE Top 40 Index			
	Market Cap Weighted (%)		Market Cap Weighted (%)
Mondi Plc	1,95	RMB Holdings Ltd	0,67
Mr Price Group	0,73	Sanlam Ltd	1,88
MTN Group	3,56	Sappi Ltd	0,81
Naspers Ltd -N-	23,44	Sasol Ltd	3,68
NEDCOR	0,68	Shoprite Holdings Ltd	1,44
NEPI Rockcastle PLC	0,97	Standard Bank Group Ltd	3,29
Netcare Ltd	0,56	Steinhoff International Hldg	2,38
Old Mutual Plc	2,67	Tiger Brands Ltd	0,98
Redefine Properties	0,83	Vodacom Group	1,40
Reinet Inv Soc Anon	0,69	Woolworths Holdings Ltd	0,82
Remgro Ltd	1,67		

Are Indices Worthwhile?

- They are **well diversified**.
- They typically only cover blue chip stocks (**reduces volatility and risk**).
- The index **always includes** only the best shares in the market or sector, **so is a high quality portfolio**.
- You only pay brokerage and JSE charges **once** and not for the whole portfolio.
- They are **transparent** – you always know what is in the index.

Passive vs Active

- An index gives you the average return of the market.
- Who wants to be average?

Number of Active Asset Managers that Underperform the Return of the Index			
	1 Year	3 Year	5 Year
USA (benchmark S&P 500)	66%	93%	88%
Europe (benchmark S&P Europe 350)	80%	74%	74%
South Africa (S&P SA DSW)	72%	80%	77%

Source: S&P Dow Jones Indices (SPIVA Scorecard) (June 2017).

Beating 85% of all active managers is a pretty high average

ETFs Are:

The lowest cost	Total Expense Ratios		
	Domestic ETFs	Index Tracking Unit Trusts	Active Manager Unit Trust Equity Funds
	0,36% p.a.	0,69% p.a.	1,56% p.a.

Most transparent	Index constituents publicised daily.
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Easiest accessible	They can be bought on the JSE through brokers, banks, online platforms, etc.
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Safest way	Security of tenure through JSE/STRATE centralised depository, clearing house and guarantees.
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To make index tracking investments

Stokvels / Investor Clubs

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Starting & Managing an Investor Club/ Stokvel

FICA REQUIREMENTS

(to be sent to investment administrators)

- Copy of Constitution / Founding Statement.
- Letter or document for Authorised Person to Represent Society (signed by all members).
- Copy of Register of Investors.
- Copy of Club / Stokvel bank statement.
- FICA documents for 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
- Quarterly dividends can be paid out or reinvested depending on choice of Club/Stokvel.

Using the etfSA Investor Plan for Stokvel/Investor Club Investments

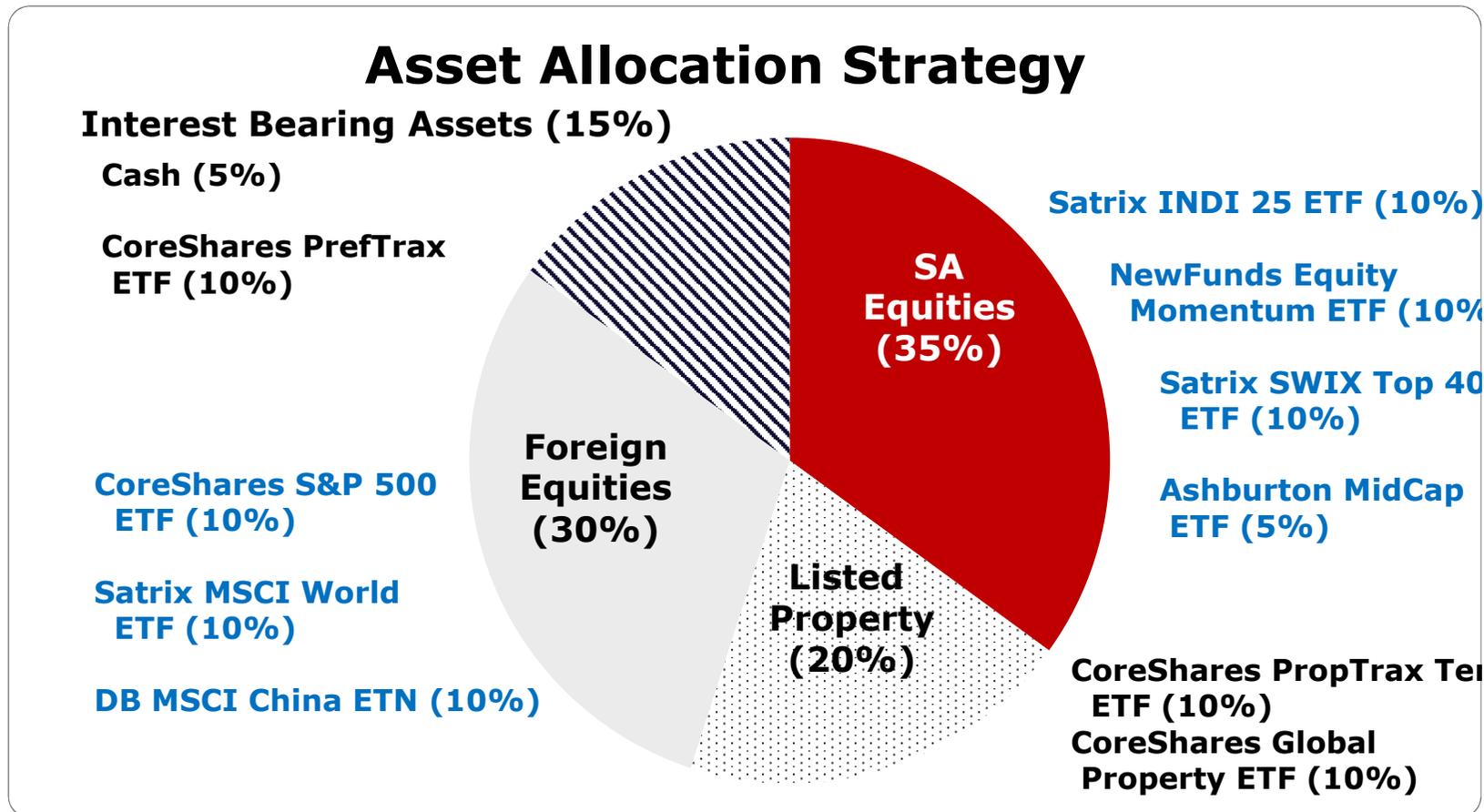
- Will accept investments from R1000.
- Will process debit orders from R150 per month.
- Automatically reinvests dividends four times a year.
- Brokerage fee of 0,08% (8bps) per transaction (all trades “bulked”).
- Administration fee (0,35% - 0,65% p.a.) is administered over 12 months and covers all transactions over that period.
- Specialise in ETPs only.

View: www.etfsa.co.za

Portfolios for Stokvels / Investor Clubs

- Select your own portfolios from 82 ETPs available on etfSA Investor Plan.
- For Stokvels with over R100 000 investments, etfSA.co.za can provide guidance and advice.
- For Stokvels/Investor Clubs with over R1 million, etfSA can offer a bespoke portfolio management service.

Pro-Forma Portfolio for Investor Clubs/Stokvels



Average weighted annual return: 16,8% per annum (past 5 years)

Source: etfSA.co.za / Profile Data 8/11/2017

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How Good is 16,8% per annum for a Balanced Portfolio Over 5 Years?

	Average Return Over Past 5 Years
etfSA Balanced Portfolio	16,8%
High Equity Multi-Asset Unit Trusts (203)	10,2%
Medium Equity Multi-Asset Unit Trusts (89)	9,3%
Low Equity Multi-Asset Unit Trusts (156)	8,4%
General Equity Unit Trusts (183)	12,5%
<i>Source: Quarterly Unit Trust Survey (September 2017).</i>	

Pro-Forma Portfolio for Investor Clubs/Stokvels (R100 000 Lump Sum Investment)

	Amount Allocated		Current Value* After 5 Years (R)
	(%)	(R)	
SA Equities			
Satrix INDI 25 ETF	10%	10 000	23 940
Satrix SWIX Top 40 ETF	10%	10 000	18 650
NewFunds Equity Momentum ETF	10%	10 000	17 450
Ashburton MidCap ETF	5%	5 000	8 530
Foreign Equities			
CoreShares S&P 500 ETF	10%	10 000	32 005
Satrix MSCI World ETF	10%	10 000	28 125
DB MSCI China ETN	10%	10 000	27 340
Listed Property			
PropTrax Ten ETF	10%	10 000	19 780
CoreShares Global Property 40 ETF	10%	10 000	23 690
Interest Bearing Assets			
PrefTrax ETF	10%	10 000	16 990
Cash	5%	5 000	6 920
Total	100%	R100 000	R223 420

* Current value of lump sum investment done 5 years ago (with dividends reinvested).

Source: etfSA.co.za / Profile Data (8/11/2017).

Note: Historical returns may not be repeated in future.

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Pro-Forma Portfolio for Investor Clubs/Stokvels (R10 000 Per Month Debit Order Investment)

	Amount Allocated		Current Value* After 5 Years (R)
	(%)	(R)	
SA Equities			
Satrix INDI 25 ETF	10%	1 000	87 660
Satrix SWIX Top 40 ETF	10%	1 000	79 980
NewFunds Equity Momentum ETF	10%	1 000	78 000
Ashburton MidCap ETF	10%	1 000	72 980
Foreign Equities			
CoreShares S&P 500 ETF	10%	1 000	99 950
Satrix MSCI World ETF	10%	1 000	93 600
DB China ETN	10%	1 000	109 050
Listed Property			
PropTrax Ten ETF	10%	1 000	83 100
CoreShares Global Property 40 ETF	10%	1 000	84 900
Interest Bearing Assets			
PrefTrax ETF	10%	1 000	75 900
Total	100%	R10 000 per month	R865 120

* *Current value of lump sum investment done 5 years ago (with dividends reinvested).*

Source: etfSA.co.za / Profile Data (8/11/2017).

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

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The price of ETPs can go up as well as down and past performance is not necessarily a guide to the future. The ETP's herein are listed on the Johannesburg Stock Exchange Limited and trading in ETP securities will incur trading and settlement costs. ETF securities are traded at ruling prices and can engage in scrip lending.

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