

The Home of Exchange Traded Funds®



The Home of Retirement Funds

Using ETFs for Different Investment Requirements

etfSA.co.za
Investment Seminar
March 2017

Nerina Visser
ETF Strategist & Advisor
etfSA.co.za

Agenda

- Choosing the right **Investment Account “Wrapper”**
 - **Tax Free** Investment Account
 - **Retirement** Annuity Fund
 - **Discretionary** Investments – etfSA Investor Scheme®
- Matching **ETFs** to Different **Investment Requirements**
 - **Income** Focus
 - **Capital Growth** with Equities
 - **Rand-hedged** International Investments
 - **Diversification** through Multi-Asset Class Portfolios

Choosing the Right Investment Account “Wrapper”

- Each option comes with **benefits** and **disadvantages**
- Understand the **pros** and the **cons** of each, and make sure you **choose the right** account / “wrapper” option for your requirements
- It also depends on **who “owns”** the investment
 - **Individual** – Age, Tax position, Other savings and investments
 - **Third party** investment
 - **Joint** account
 - Investment **club** / **Stokvel**
 - **Trust** / Company

Tax Free Investment Account

■ Benefits

- No tax whatsoever – no capital gains tax, no dividend withholding tax, no interest tax
- No restriction on withdrawals – timing or amount

■ Disadvantages

- Annual and lifetime contribution limits
- Restrictions on underlying investments, e.g. only unit trusts/ETFs

■ Who?

- Only individuals, SA residents

Retirement Annuity Fund

■ Benefits

- No tax *inside* fund – no capital gains tax, no dividend withholding tax, no interest tax
- Tax deductibility of contributions, within limits

■ Disadvantages

- Only accessible at 55, unless specific, exceptional circumstances
- Restrictions on underlying investments (Reg. 28), e.g. limits offshore (25%) and equity (75%) exposures

■ Who?

- Only individuals, registered for tax in SA

Discretionary Investments etfSA Investor Scheme[®]

▪ Benefits

- No contribution limits
- No constraints on underlying investments

▪ Disadvantages

- No tax benefit on contribution
- No tax benefit on withdrawal

▪ Who?

- Anyone – individuals, clubs, stokvels, trusts, companies, third party investments, joint accounts, etc.

Matching ETFs to Different Investment Requirements

- What is your investment **time horizon**?
 - **Risk** (variability) of selected investments **must match**
 - Short time \equiv Low risk vs. Long time \equiv High risk
- **How much** do you want to invest?
 - Ensure the **number** of investments (ETFs) is **cost effective**
 - Lump sum
 - Debit order
- **What do you need** from your investment?
 - Income
 - Capital Growth
 - Rand-hedged
 - Diversification

Income Focus

- **Different types** of Income
 - Interest – comes from Bonds / Fixed Income investments
 - Dividends – comes from Equities / Shares distributing cash
- Different **levels of Certainty**
 - Interest – mostly known or predictable
 - Dividends – variable, and depends on industry / health of sector
- **Any other returns**, e.g. capital gains?
 - Interest – none or very low
 - Dividends – potential for capital gains too
 - Exception – Preference Shares

ETFs for Income

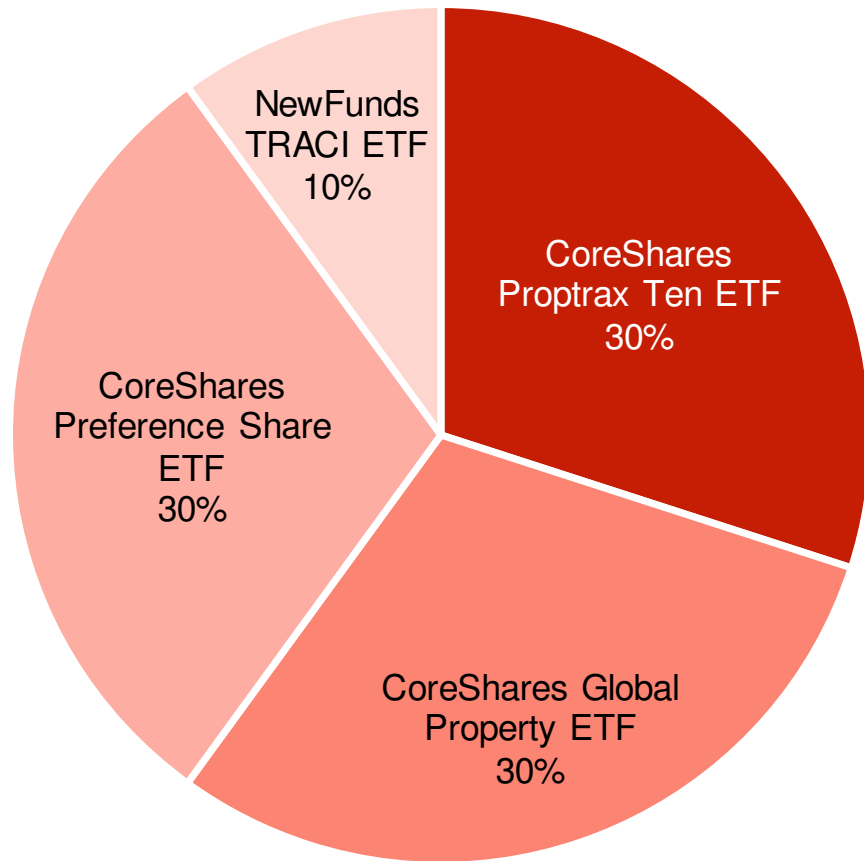
CIS Compliant ETFs					
JSE Share Code	ETF Name	ETF Provider	JSE Share Code	ETF Name	ETF Provider
Domestic (SA) Equities			Domestic (SA) Interest Bearing		
Broad-based large cap			NFGOVI	NewFunds GOVI	ABSA
STX40	Satrix 40	Satrix	NFILBI	NewFunds ILBI	ABSA
ASHT40	Ashburton Top 40	Ashburton	ASHINF	Ashburton Government Inflation	Ashburton
STAN40	Stanlib Top 40	Stanlib	NFTRCI	NewFunds TRACI 3month	ABSA
STXSWX	Satrix SWIX 40	Satrix	PREFTX	CoreShares PrefTrax	Grindrod
NFSWIX	NewFunds SWIX 40	ABSA	STXILB	Satrix Inflation-Linked Bonds	Satrix
STANSX	Stanlib SWIX Top 40	Stanlib			
CSEW40	CoreShares EW Top 40	Grindrod	Domestic (SA) Listed Property		
CTOP50	CoreShares Top50	Grindrod	STPROP	Stanlib SA Property	Stanlib
GIVISA	NewFunds S&P GIVI Top 50	ABSA	PTXSPY	CoreShares PropTrax SAPY	Grindrod
STXRAF	Satrix RAFI 40	Satrix	PTXTEN	CoreShares PropTrax Ten	Grindrod
NFSH40	NewFunds Shari'ah Top 40	ABSA	STXPRO	Satrix Property	Satrix
Sectors			Domestic (SA) Multi Assets		
ASHMID	Ashburton MidCap	Ashburton	MAPPSP	NewFunds MAPPS Protect	ABSA
STXFIN	Satrix FINI 15	Satrix	MAPPSPG	NewFunds MAPPS Growth	ABSA
STXIND	Satrix INDI 25	Satrix			
STXRES	Satrix RESI 10	Satrix	International Listed Property		
GIVFIN	NewFunds S&P GIVI SA Financial	ABSA	GLPROP	CoreShares S&P Global Property	Grindrod
GIVIND	NewFunds S&P GIVI SA Industrial	ABSA			
GIVRES	NewFunds S&P GIVI SA Resources	ABSA	International Equities		
Style / Factors / 'Smart'			DBXWD	DBX World	Deutsche
NFEMOM	NewFunds Equity Momentum	ABSA	DBXUS	DBX USA	Deutsche
NEWESA	NewFunds NewSA	ABSA	DBXUK	DBX UK	Deutsche
STXDIV	Satrix Dividend Plus	Satrix	DBXEU	DBX Europe	Deutsche
DIVTRX	CoreShares Dividend Aristocrats	Grindrod	DBXJP	DBX Japan	Deutsche
LVLTRX	CoreShares Low Volatility	Grindrod	CSP500	Coreshares S&P 500	Grindrod
CGREEN	CoreShares Green	Grindrod			

Interest-bearing

Property / Real Estate

High Dividends

etfSA Tax Free Investment Account Income Portfolio



Investment return since 2005

- Average: **13.9%** p.a.
- Minimum: **-13.8%** p.a.
 - R100 became R86
- Maximum: **35.0%** p.a.
 - R100 became R135
- R500,000 investment (R33,000 per year)
 - After 15 years: **R1.9 million***

* Based on average return over last 5 years (etfSA calculations)

The Home of Exchange Traded Funds®



Capital Growth

- Investment in assets that can **grow your capital**
 - Price must be able to change (increase OR decrease)
 - Look for value to increase more than inflation over longer term
 - Only *equity* can do this, not *debt*
 - Maintain / improve the purchase power of your money
- Mitigating against **risk of capital loss**
 - TIME
 - Diversification
 - Quality of investment
 - Buffer support of yield / income

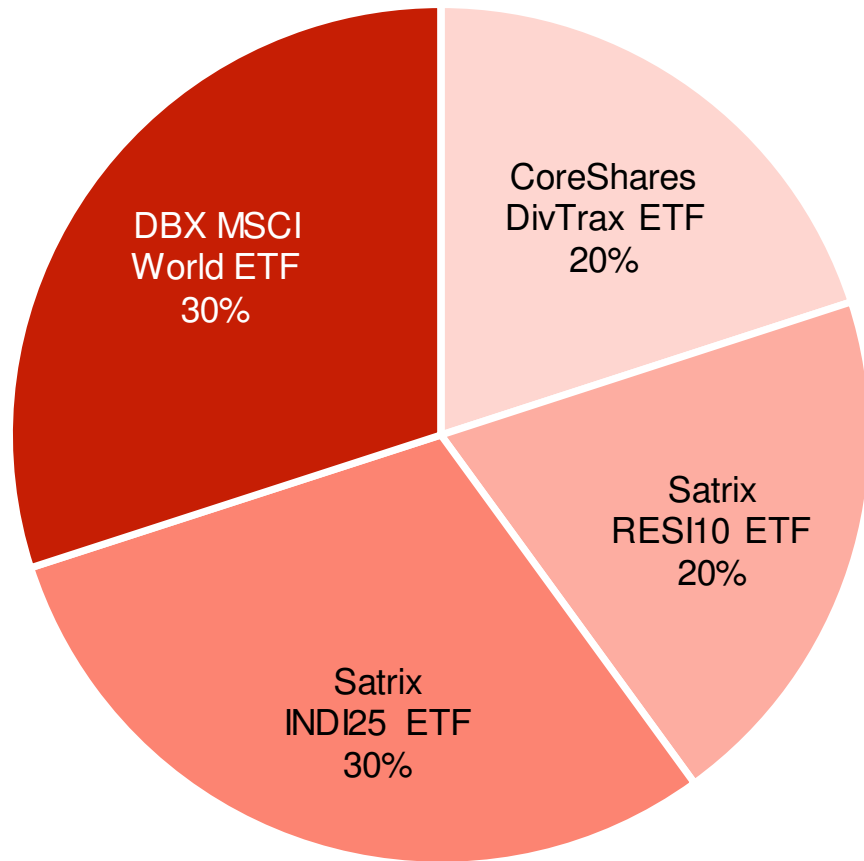
ETFs for Capital Growth

All equities...

CIS Compliant ETFs					
JSE Share Code	ETF Name	ETF Provider	JSE Share Code	ETF Name	ETF Provider
Domestic (SA) Equities			Domestic (SA) Interest Bearing		
Broad-based large cap			NFGOVI	NewFunds GOVI	ABSA
STX40	Satrix 40	Satrix	NFILBI	NewFunds ILBI	ABSA
ASHT40	Ashburton Top 40	Ashburton	ASHINF	Ashburton Government Inflation	Ashburton
STAN40	Stanlib Top 40	Stanlib	NFTRCI	NewFunds TRACI 3month	ABSA
STXSWX	Satrix SWIX 40	Satrix	PREFTX	CoreShares PrefTrax	Grindrod
NFSWIX	NewFunds SWIX 40	ABSA	STXILB	Satrix Inflation-Linked Bonds	Satrix
STANSX	Stanlib SWIX Top 40	Stanlib			
CSEW40	CoreShares EW Top 40	Grindrod	Domestic (SA) Listed Property		
CTOP50	CoreShares Top50	Grindrod	STPROP	Stanlib SA Property	Stanlib
GIVISA	NewFunds S&P GIVI Top 50	ABSA	PTXSPY	CoreShares PropTrax SAPY	Grindrod
STXRAF	Satrix RAFI 40	Satrix	PTXTEN	CoreShares PropTrax Ten	Grindrod
NFSH40	NewFunds Shari'ah Top 40	ABSA	STXPRO	Satrix Property	Satrix
Sectors			Domestic (SA) Multi Assets		
ASHMID	Ashburton MidCap	Ashburton	MAPPSP	NewFunds MAPPS Protect	ABSA
STXFIN	Satrix FINI 15	Satrix	MAPPSPG	NewFunds MAPPS Growth	ABSA
STXIND	Satrix INDI 25	Satrix			
STXRES	Satrix RESI 10	Satrix	International Listed Property		
GIVFIN	NewFunds S&P GIVI SA Financial	ABSA	GLPROP	CoreShares S&P Global Property	Grindrod
GIVIND	NewFunds S&P GIVI SA Industrial	ABSA			
GIVRES	NewFunds S&P GIVI SA Resources	ABSA	International Equities		
Style / Factors / 'Smart'			DBXWD	DBX World	Deutsche
NFEMOM	NewFunds Equity Momentum	ABSA	DBXUS	DBX USA	Deutsche
NEWFSA	NewFunds NewSA	ABSA	DBXUK	DBX UK	Deutsche
STXDIV	Satrix Dividend Plus	Satrix	DBXEU	DBX Europe	Deutsche
DIVTRX	CoreShares Dividend Aristocrats	Grindrod	DBXJP	DBX Japan	Deutsche
LVLTRX	CoreShares Low Volatility	Grindrod	CSP500	CoreShares S&P 500	Grindrod
CGREEN	CoreShares Green	Grindrod			

...incl. International equities, but much higher risk due to currency

etfSA Tax Free Investment Account Equity Portfolio



Investment return since 2005

- Average: **16.7%** p.a.
- Minimum: **-29.5%** p.a.
 - R100 became R70
- Maximum: **44.1%** p.a.
 - R100 became R144
- R500,000 investment (R33,000 per year)
 - After 20 years: **R5.4 million***

* Based on average return over last 5 years (etfSA calculations)

The Home of Exchange Traded Funds®



Rand-Hedge

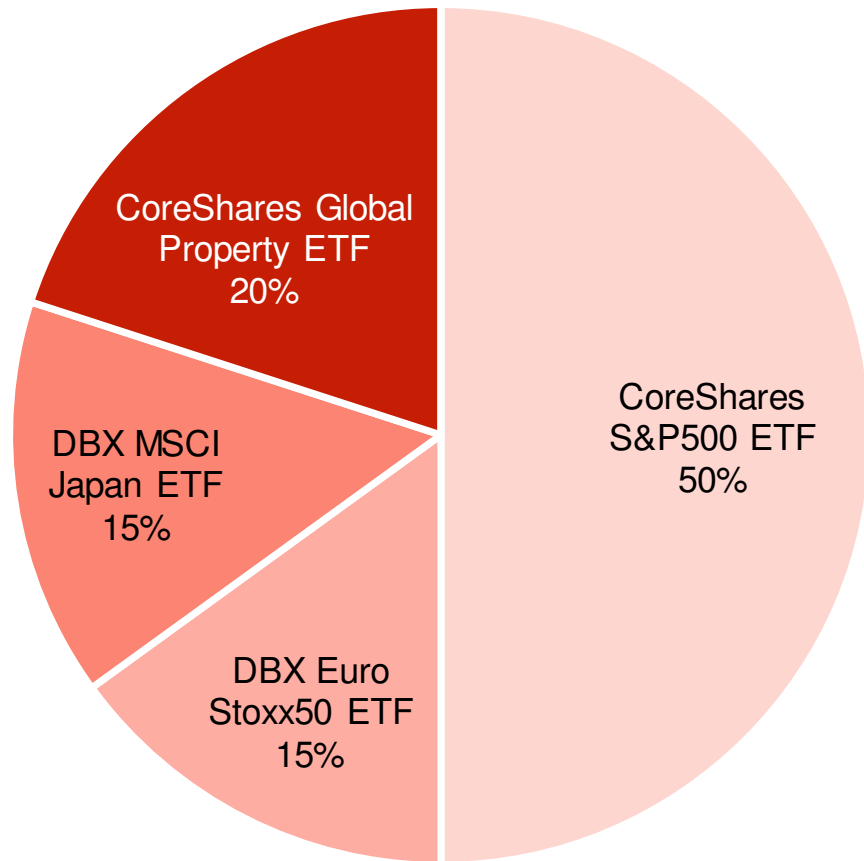
- **Protect** investments from effect of **currency weakness**
 - Rand depreciation
 - Other currency strength, e.g. Dollar, Pound, Euro, etc.
 - BEWARE: it can go both ways
- Get exposure to investments **not available in local market**
 - Different asset classes
 - Different economic sectors / industries
 - Different business cycles
- Over long term, rand should **depreciate in line with** interest rate / inflation rate **differentials**

ETFs for Rand-hedge

CIS Compliant ETFs					
JSE Share Code	ETF Name	ETF Provider	JSE Share Code	ETF Name	ETF Provider
Domestic (SA) Equities			Domestic (SA) Interest Bearing		
Broad-based large cap			NFGOVI	NewFunds GOVI	ABSA
STX40	Satrix 40	Satrix	NFILBI	NewFunds ILBI	ABSA
ASHT40	Ashburton Top 40	Ashburton	ASHINF	Ashburton Government Inflation	Ashburton
STAN40	Stanlib Top 40	Stanlib	NFTRCI	NewFunds TRACI 3month	ABSA
STXSWX	Satrix SWIX 40	Satrix	PREFTX	CoreShares PrefTrax	Grindrod
NFSWIX	NewFunds SWIX 40	ABSA	STXILB	Satrix Inflation-Linked Bonds	Satrix
STANSX	Stanlib SWIX Top 40	Stanlib			
CSEW40	CoreShares EW Top 40	Grindrod	Domestic (SA) Listed Property		
CTOP50	CoreShares Top50	Grindrod	STPROP	Stanlib SA Property	Stanlib
GIVISA	NewFunds S&P GIVI Top 50	ABSA	PTXSPY	CoreShares PropTrax SAPY	Grindrod
STXRAF	Satrix RAFI 40	Satrix	PTXTEN	CoreShares PropTrax Ten	Grindrod
NFSH40	NewFunds Shari'ah Top 40	ABSA	STXPRO	Satrix Property	Satrix
Sectors			Domestic (SA) Multi Assets		
ASHMID	Ashburton MidCap	Ashburton	MAPPSP	NewFunds MAPPS Protect	ABSA
STXFIN	Satrix FINI 15	Satrix	MAPPSP	NewFunds MAPPS Protect	ABSA
STXIND	Satrix INDI 25	Satrix	MAPPSP	NewFunds MAPPS Growth	ABSA
STXRES	Satrix RESI 10	Satrix			
GIVFIN	NewFunds S&P GIVI SA Financial	ABSA	International Listed Property		
GIVIND	NewFunds S&P GIVI SA Industrial	ABSA	GLPROP	CoreShares S&P Global Property	Grindrod
GIVRES	NewFunds S&P GIVI SA Resources	ABSA			
Style / Factors / 'Smart'			International Equities		
NFEMOM	NewFunds Equity Momentum	ABSA	DBXWD	DBX World	Deutsche
NEWFSA	NewFunds NewSA	ABSA	DBXUS	DBX USA	Deutsche
STXDIV	Satrix Dividend Plus	Satrix	DBXUK	DBX UK	Deutsche
DIVTRX	CoreShares Dividend Aristocrats	Grindrod	DBXEU	DBX Europe	Deutsche
LVLTRX	CoreShares Low Volatility	Grindrod	DBXJP	DBX Japan	Deutsche
CGREEN	CoreShares Green	Grindrod	CSP500	Coreshares S&P 500	Grindrod

Direct offshore / international

etfSA Tax Free Investment Account International Portfolio



Investment return since 2005

- Average: **11.9%** p.a.
- Minimum: **-34.6%** p.a.
 - R100 became R65
- Maximum: **58.4%** p.a.
 - R100 became R158
- R500,000 investment (R33,000 per year)
 - After 20 years: **R7.0 million***

* Based on average return over last 5 years (etfSA calculations)

The Home of Exchange Traded Funds®



Diversification – Balanced Fund

- Select investments from different **asset classes**
 - Domestic equities
 - International equities
 - Interest-bearing investments
 - Listed Property
 - Other – commodities, currencies
- Seek exposure to different **return drivers**
 - Geographies, Currencies
 - Economies, Business cycles
 - Capital growth vs. Income

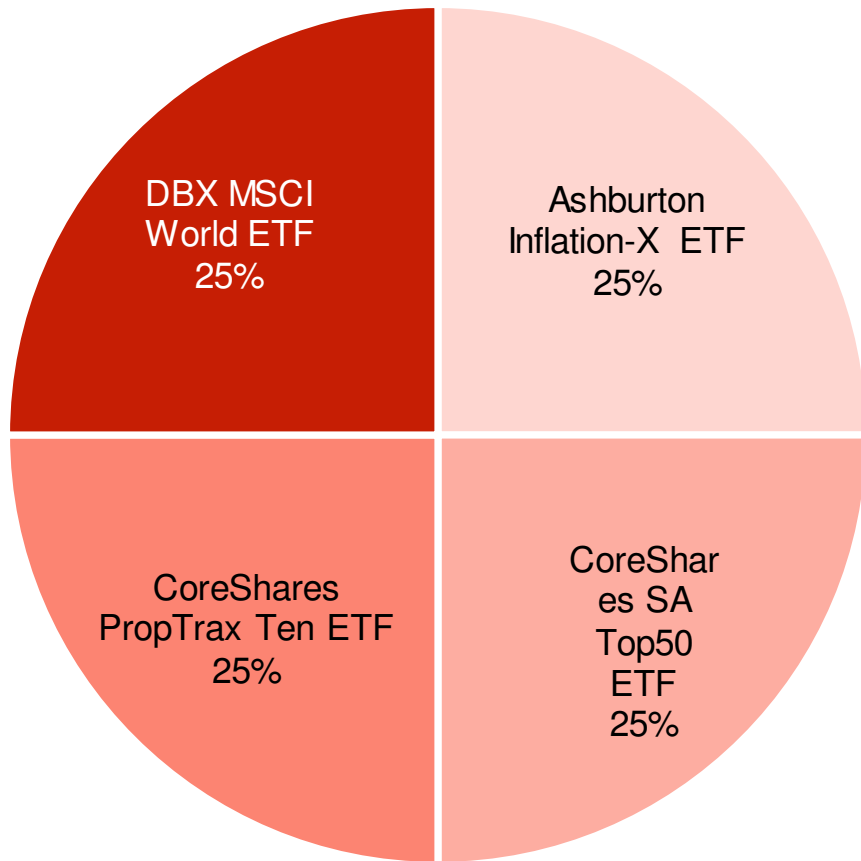
ETFs for Diversification

CIS Compliant ETFs					
JSE Share Code	ETF Name	ETF Provider	JSE Share Code	ETF Name	ETF Provider
Domestic (SA) Equities			Domestic (SA) Interest Bearing		
Broad-based large cap			NFGOVI	NewFunds GOVI	ABSA
STX40	Satrix 40	Satrix	NFILBI	NewFunds ILBI	ABSA
ASHT40	Ashburton Top 40	Ashburton	ASHINF	Ashburton Government Inflation	Ashburton
STAN40	Stanlib Top 40	Stanlib	NFTRCI	NewFunds TRACI 3month	ABSA
STXSWX	Satrix SWIX 40	Satrix	PREFTX	CoreShares PrefTrax	Grindrod
NFSWIX	NewFunds SWIX 40	ABSA	STXILB	Satrix Inflation-Linked Bonds	Satrix
STANSX	Stanlib SWIX Top 40	Stanlib			
CSEW40	CoreShares EW Top 40	Grindrod	Domestic (SA) Listed Property		
CTOP50	CoreShares Top50	Grindrod	STPROP	Stanlib SA Property	Stanlib
GIVISA	NewFunds S&P GIVI Top 50	ABSA	PTXSPY	CoreShares PropTrax SAPY	Grindrod
STXRAF	Satrix RAFI 40	Satrix	PTXTEN	CoreShares PropTrax Ten	Grindrod
NFSH40	NewFunds Shari'ah Top 40	ABSA	STXPRO	Satrix Property	Satrix
Sectors			Domestic (SA) Multi Assets		
ASHMID	Ashburton MidCap	Ashburton	MAPPSP	NewFunds MAPPS Protect	ABSA
STXFIN	Satrix FINI 15	Satrix	MAPPSPG	NewFunds MAPPS Growth	ABSA
STXIND	Satrix INDI 25	Satrix			
STXRES	Satrix RESI 10	Satrix	International Listed Property		
GIVFIN	NewFunds S&P GIVI SA Financial	ABSA	GLPROP	CoreShares S&P Global Property	Grindrod
GIVIND	NewFunds S&P GIVI SA Industrial	ABSA			
GIVRES	NewFunds S&P GIVI SA Resources	ABSA	International Equities		
Style / Factors / 'Smart'			DBXWD	DBX World	Deutsche
NFEMOM	NewFunds Equity Momentum	ABSA	DBXUS	DBX USA	Deutsche
NEWFSA	NewFunds NewSA	ABSA	DBXUK	DBX UK	Deutsche
STXDIV	Satrix Dividend Plus	Satrix	DBXEU	DBX Europe	Deutsche
DIVTRX	CoreShares Dividend Aristocrats	Grindrod	DBXJP	DBX Japan	Deutsche
LVLTRX	CoreShares Low Volatility	Grindrod	CSP500	Coeshares S&P 500	Grindrod
CGREEN	CoreShares Green	Grindrod			

Diversification in a single ETF...

... or select from every category

etfSA Tax Free Investment Account Balanced Portfolio



Investment return since 2005

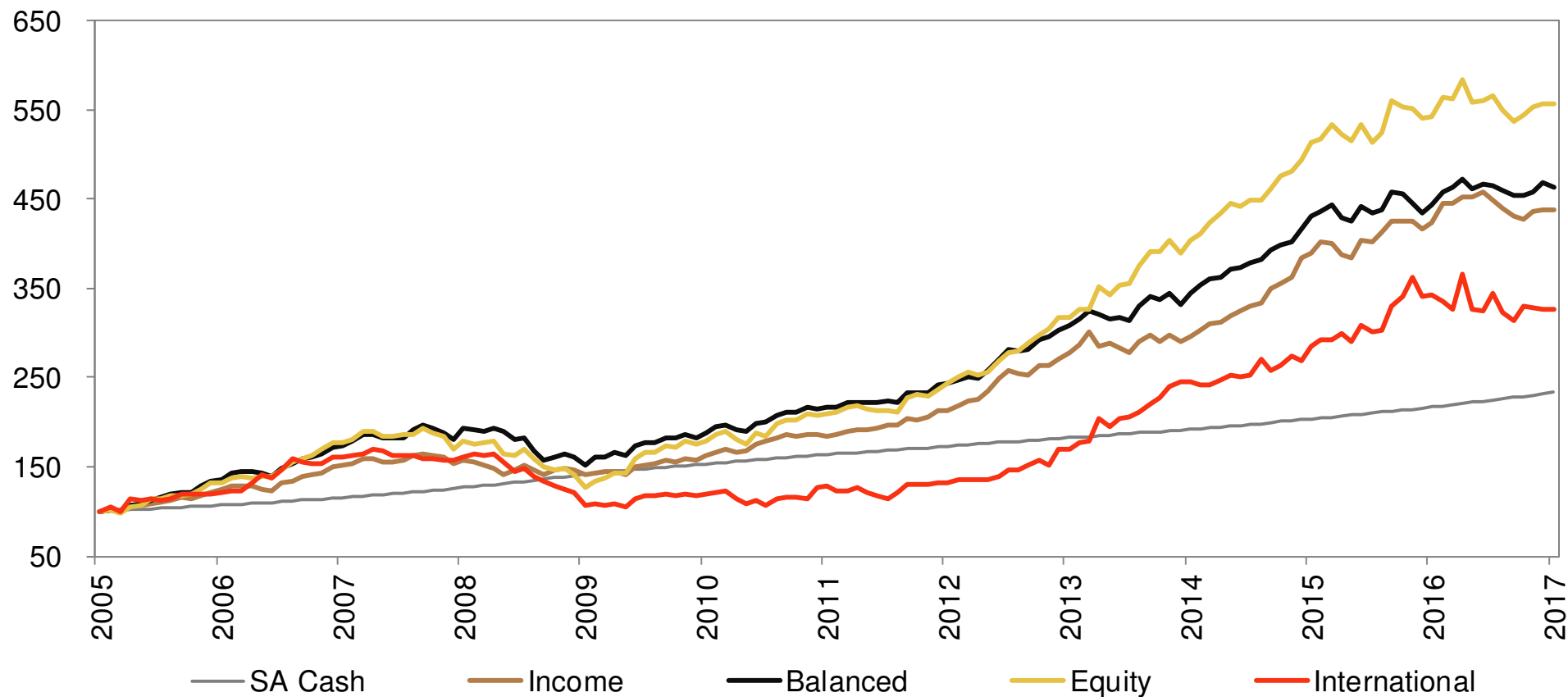
- Average: **14.0%** p.a.
- Minimum: **-21.2%** p.a.
 - R100 became R79
- Maximum: **45.0%** p.a.
 - R100 became R145
- R500,000 investment (R33,000 per year)
 - After 20 years: **R3.1 million***

* Based on average return over last 5 years (etfSA calculations)

The Home of Exchange Traded Funds®



Comparative performance



Note: Based on performance of etfSA Tax Free Investment Accounts

The Home of Exchange Traded Funds®



Closing Thoughts

- Understand **what you want / need** from your investments
- **Select** underlying investments (ETFs) and “wrapper” **based on your requirements**
- **Stick to your plan** – don’t chop and change because of short term performance
- Evaluate your investment performance fairly (**appropriate benchmark measurement**) to avoid envy and regret

Question time...



Contact Details

Discretionary Investments	010 446 0371	info@etfsa.co.za
Tax Free Investment Accounts	010 446 0371	taxfree@etfsa.co.za
Retirement Annuity Funds	010 446 0374	rafunds@etfsa.co.za
Living Annuity Funds	010 446 0374	lafunds@etfsa.co.za
Portfolio Management Service	010 446 0372	portfolios@etfsa.co.za
Mike Brown Managing Director 010 446 0377 mikeb@etfsa.co.za		Nerina Visser ETF Strategist 010 446 0376 nerinav@etfsa.co.za
Websites: www.etfsa.co.za www.etfsara.co.za		Twitter: @etfSA @Nerina_Visser

Terms and conditions: Redistribution, reproduction, the resale or transmission to any third party of the contents of this article and this website, whether by email, newsletter, internet or website, is only possible with the written permission of etfSA. etfSA, its sponsors, administrators, contributors and product providers disclaim any liability for any loss, damage, or expense that might occur from the use of or reliance on the data and services provided through this website. etfSA.co.za is the registered trading name of M F Brown, an authorised Financial Services Provider (FSP No 39217). etfSA.co.za is licensed to provide financial services in the following categories: Collective Investment Schemes; Shares and Securities; Retail Pension Fund Benefits; short-Term deposits; Friendly Society Benefits and Long-Term Insurance Category C. Professional Indemnity Insurance is maintained.

The Home of Exchange Traded Funds®

