



The Home of Exchange Traded Funds®



The Home of Retirement Funds

Positioning for Prosperity

etfSA.co.za
Investment Seminar
January / February 2018

Nerina Visser
ETF Strategist & Advisor
etfSA.co.za

This time last year was bleak!

Brexit to be followed by Italeave. Czechout.
Finish. Slovakout. Latervia. Byegium.
Luxembye. Portugone. Donemark. Spaout.
Oustria. Polend.

Only one country will probably stay.

Remainia.

Some people wishing this year will just
@#\$\$!& end already.
#Nkandla #SpyTapes #Gordhan
#NoConfidence #SONA2016



ORANGE



**IS
THE
NEW**



BLACK

■ Three years of flat markets

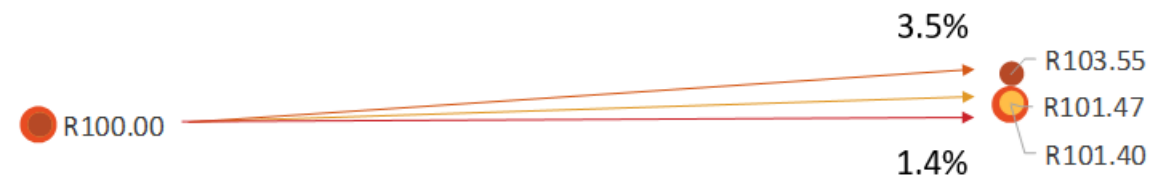
□ Equities



□ Offshore



□ Balanced funds



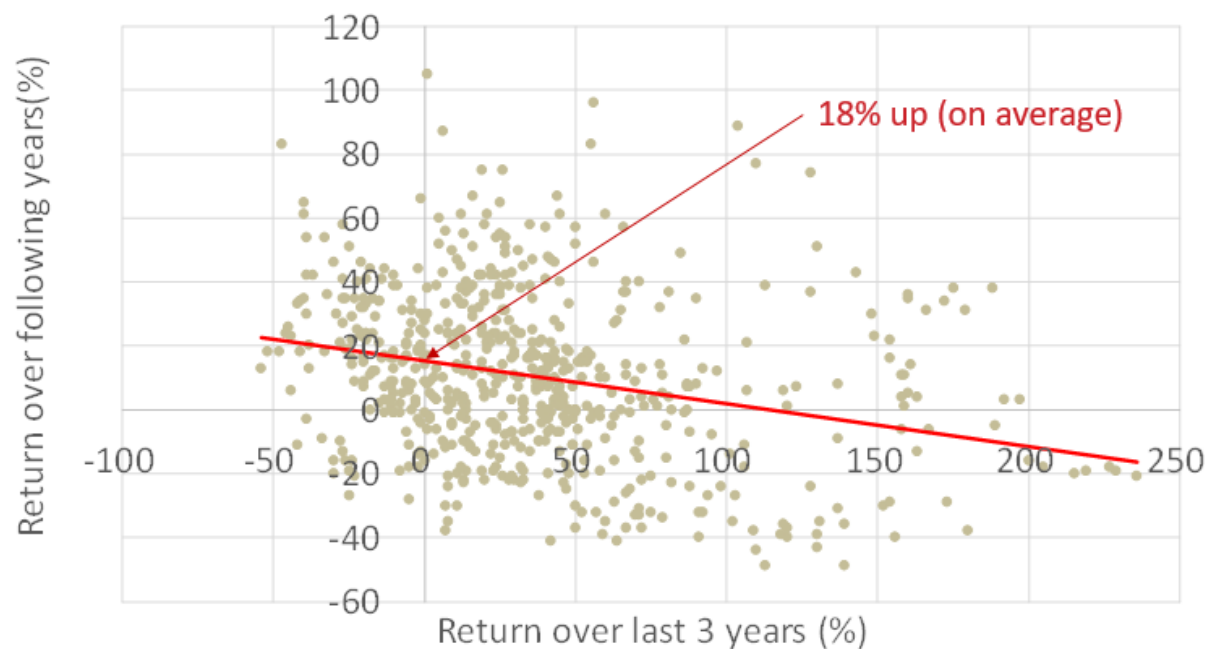
Note: 2016 performance

The Home of Exchange Traded Funds®



But we encouraged you to keep the faith

3 year consolidation phase expected return over next year



#StayInvested
#KeepInvesting
#InvestMore

2017 – the good



SA equities: patience paid off with 21% return



2017 – the good



Global equities: “Trump effect” gathered pace, up 20%



S&P500 Index in USD – Source: ProfileMedia

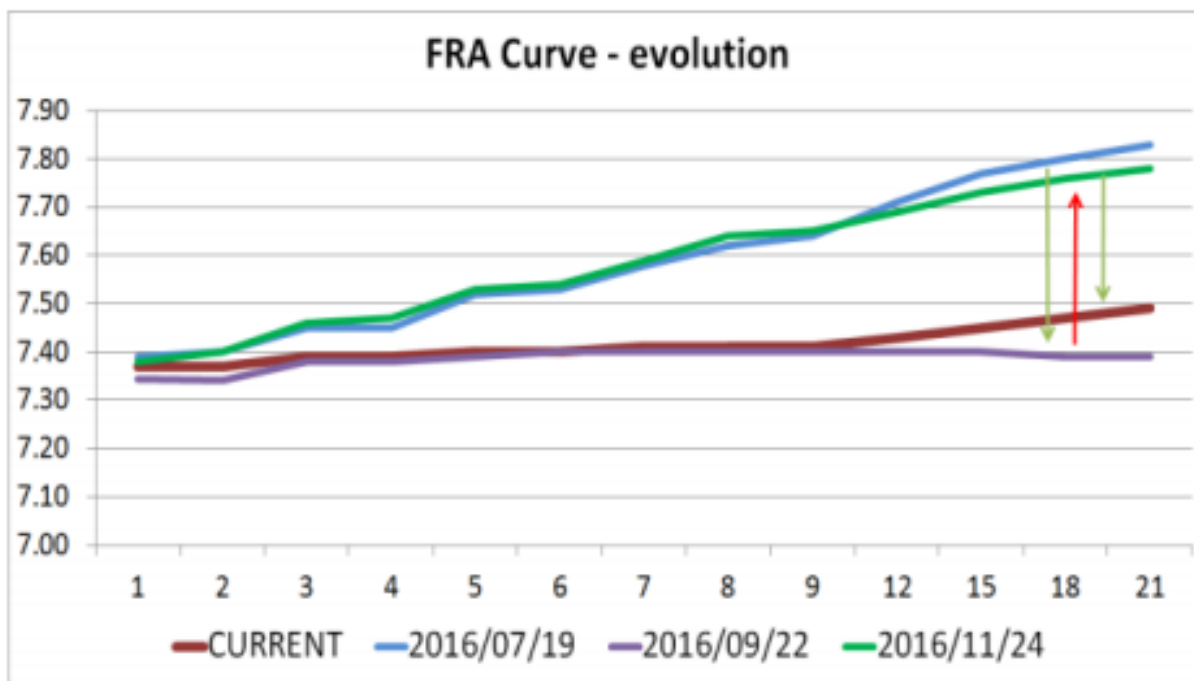
The Home of Exchange Traded Funds®





2017 – the good

Interest rates: Surprised on the downside
Expectation was for further increases...



...but the SARB surprised us with a 25 bps cut in July-17



Forward Rate Agreement curve – Source: Nedbank CIB

The Home of Exchange Traded Funds®



2017 – the bad



Sources of **income** – less interest, but more dividends

- Less **interest**
 - Bad for those living off **savings**
 - Hurt **property** & **preference** share ETFs
- More **dividends**
 - **Shift focus** in high income portfolios to dividends
 - Better for those in **marginal tax bracket** (20% DWT vs. 45% income tax rate)



2017 – the bad



Strong **rand** – good for inflation, bad for (some) investments

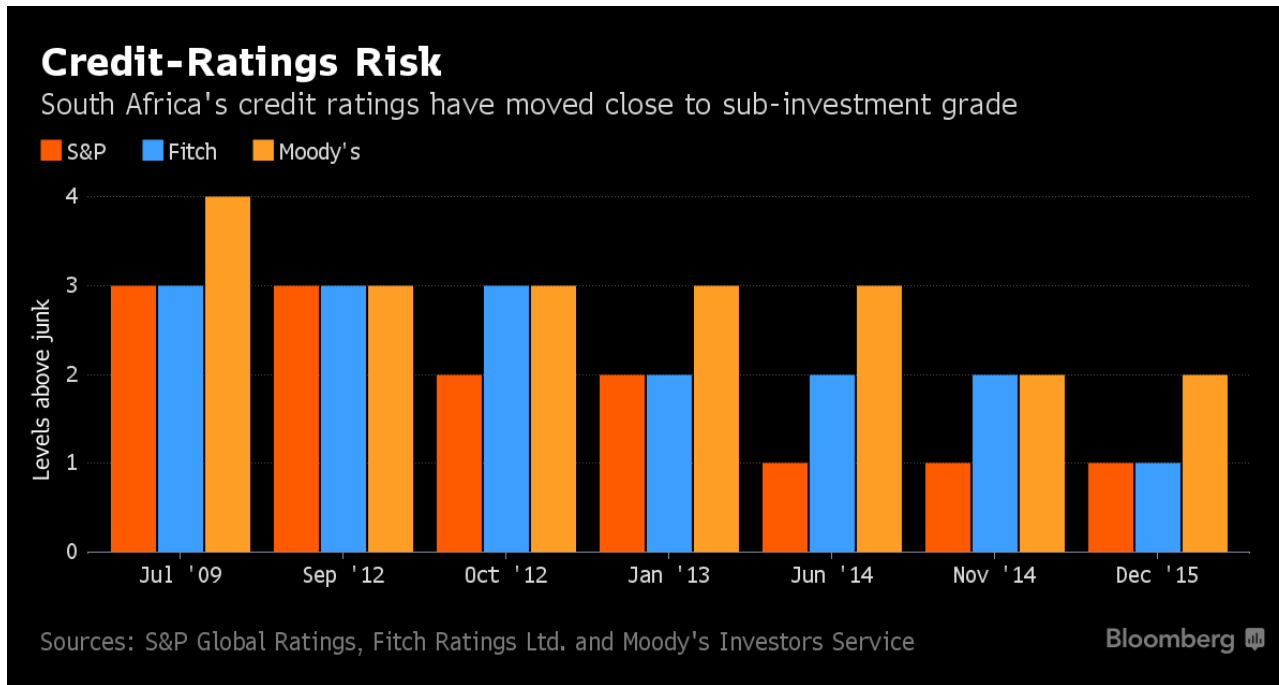


R/\$ exchange rate – Source: ProfileMedia

2017 – the bad



Politics driving Economics (almost) over the **downgrade cliff**



Source: Bloomberg

The Home of Exchange Traded Funds®



2017 – the ugly



State capture takes us to the brink...



...but the **people** have found their voices

...**civil society** have joined forces

...the **judiciary** is exercising its power

...**parliament** has found its backbone

Sunlight
is the best disinfectant!

2017 – the ugly



Steinhoff – South Africa's Enron?

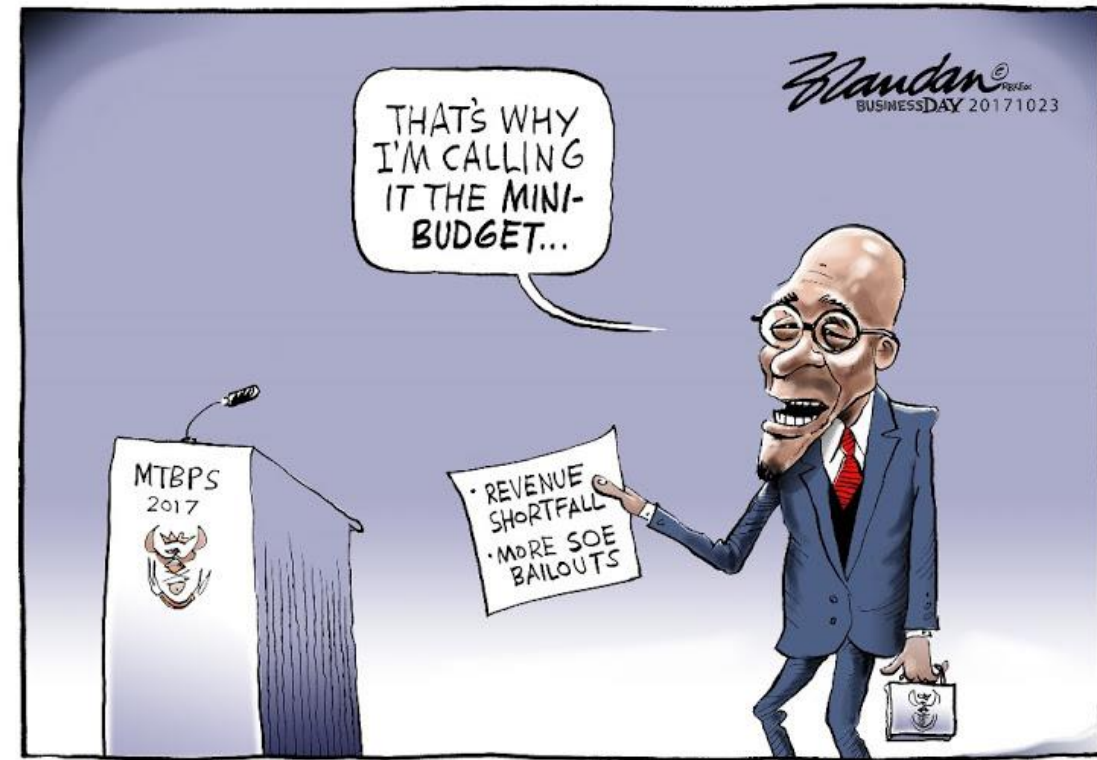


2017 – the ugly



Revenue shortfall – R50bn hole to be plugged

- **Tax** WILL increase
 - we just don't know what, and by how much
- Maximise **tax savings** before 28-Feb
 - **Tax-free** investments (R33k)
 - **RA** contributions (27.5%)
 - Lock in **capital gains** (R40k)



2018 – Riding the Waves



A New Deal for South Africa*

A NEW DEAL FOR Jobs growth transformation

Turning the economy around and building a more equal society

While we have achieved much since 1994, the economy has stalled. Unemployment is rising, poverty remains widespread, investment levels have fallen, confidence is low and public finances are under pressure. We need a new deal for jobs, growth and transformation that will turn the economy around and build a more equal society.

THE 10 PRIORITIES THAT SHOULD UNDERPIN A NEW DEAL.

- CREATION OF DECENT JOBS.** Social partners to lead a national initiative to create at least one million jobs in 5 years.
- GROWTH AND INVESTMENT.** Restore investor confidence to achieve 3 percent growth in 2018, rising to 5 percent growth by 2023.
- MEANINGFUL ECONOMIC PARTICIPATION FOR THE POOR.** Develop small business, accelerate land redistribution and improve agricultural productivity.
- MACROECONOMIC POLICY THAT PROMOTES GROWTH.** Maintain fiscal discipline to ensure resources are for development not debt servicing.
- TRANSFER OWNERSHIP OF THE ECONOMY.** Accelerate black economic empowerment through the participation of communities, entrepreneurs and workers, tackling monopolies and increasing competition.
- ACCESS FOR ALL TO QUALITY, RELEVANT EDUCATION.** Comprehensive agenda to improve the quality of education in township and rural schools and move with urgency to provide free higher education for the poor.
- REVITALISE AND EXPAND MANUFACTURING CAPACITY.** Stimulate demand for local goods, diversify exports and reduce electricity and transport costs.
- MAXIMISE IMPACT OF INFRASTRUCTURE BUILD.** Boost spending on critical infrastructure over the next five years to R1.5 trillion, bring in private-sector expertise and focus on job creation, localisation, skills development of young artisans and small business development.
- STATE OWNED ENTERPRISES AS DRIVERS OF DEVELOPMENT.** Appoint boards and executives that are committed to transformation, skilled and experienced and incorruptible. Mobilise private capital through strategic partnerships and explore formation of a single 'SOE investment company'.
- CONFRONT CORRUPTION AND STATE CAPTURE.** Remove individuals who have facilitated state capture, strengthen law enforcement agencies and rebuild critical state institutions. Establish a commission of inquiry and take criminal action against the perpetrators.

THROUGH A NEW DEAL, WE CAN BUILD AN ECONOMY THAT BENEFITS ALL:

- FOR YOUTH**
 - Increased opportunities for employment
 - Expanded training opportunities
 - Better work readiness of school leavers and graduates.
- FOR STUDENTS**
 - More public resources for free education for the poor
 - Increased funding for maths and science.
- FOR SMALL BUSINESS OWNERS**
 - Lower barriers to entry
 - Improved access to supply chains
 - More funding and support.
- FOR WORKERS**
 - More decent work
 - Greater job security
 - Rising income through minimum wage
 - Lower cost of living.
- FOR EMERGING FARMERS**
 - More agricultural land available
 - More sustainable farms through the provision of state support.
- FOR CORPORATES**
 - Renewed dynamism
 - Growth, stability and a commitment to work for high growth and sustainable returns.
- FOR INVESTORS**
 - A stable climate and firm rule of law
 - Economic growth and openness to trade and investment
 - A new season of opportunity and attractive risk sharing.

For the first time in many years, South Africa has an opportunity to **confront its challenges** - Let us seize this opportunity and **forge a new deal** for jobs, growth and transformation.

THE NEW DEAL WILL:

- Ensure effective **implementation** of the National Development Plan and ANC policy
- Unite** government, business and labour around a common economic programme
- Be led by an honest, capable and **committed** team
- Rebuild **confidence** in public institutions.

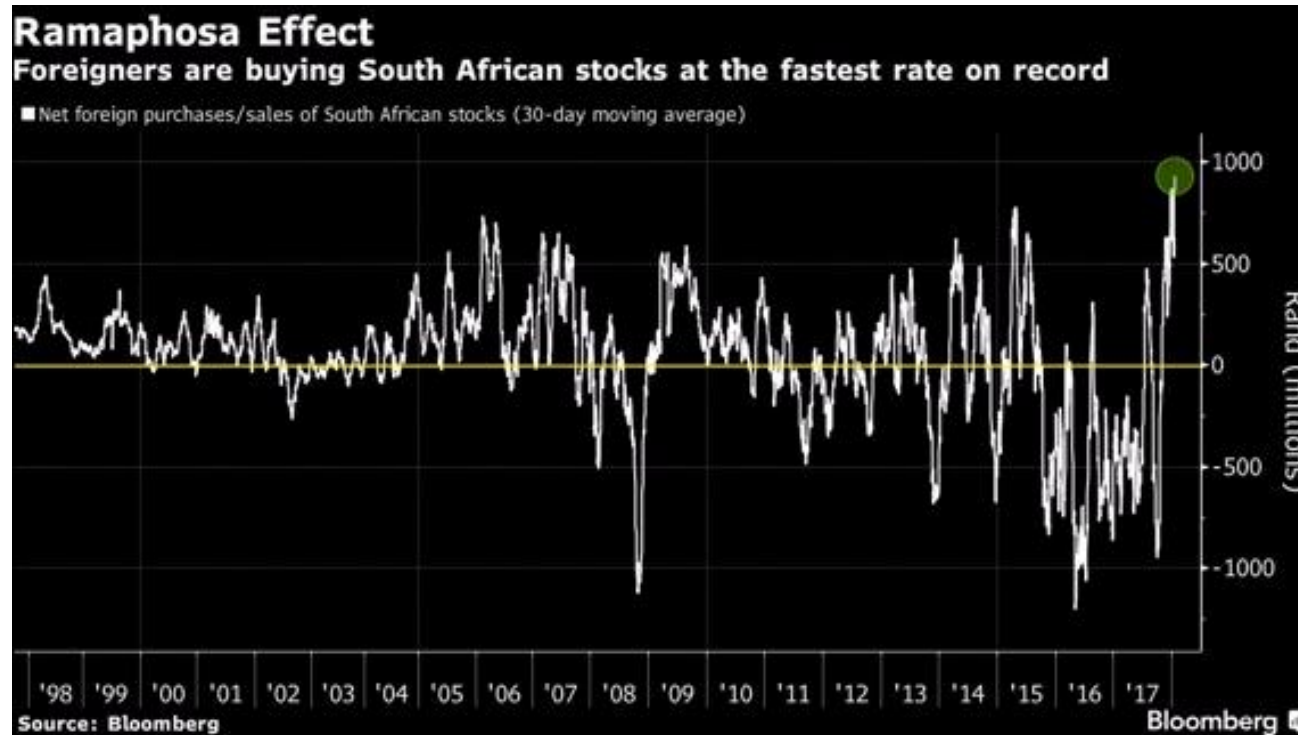
SIYAVUMA. SIHOLE RAMAPHOSA.

- Jobs
- Education
- Growth & investment
- Manufacturing
- Participation for poor
- Infrastructure
- Growth-friendly policies
- SOEs – drivers of development
- Transfer ownership of economy
- Fight corruption & state capture

* Cyril Ramaphosa's 10-point economic plan

Catching the “New Deal” Wave

“SA Inc.” back in favour



- Foreigners **buy local**, not dual-listed shares
- **Ashburton Mid Cap ETF (ASHMID)**
- Mid Caps underperformed Top40 by almost **16%** in 2017

Source: Bloomberg

The Home of Exchange Traded Funds®



Synchronised Global Growth

10 years after **GFC**

- **Monetary** stimulus
 - Asset price inflation
 - Economic growth
- **Fiscal** stimulus
 - Boost earnings
 - Business & Consumer confidence

Risk On!

IMF hails 'broadest' upsurge in global growth since 2010

Forecasts upgraded for 2017, 2018 and 2019, adding to positive mood ahead of Davos gathering

JANUARY 22, 2018

The International Monetary Fund has hailed the “broadest synchronised global growth upsurge since 2010” as the global elite arrived at the World Economic Forum in [Davos](#) on Monday in ebullient mood.

Consigning the troubles of the past decade to history, the fund’s upgraded forecasts signalled the strongest global economic outlook since the start of 2010.

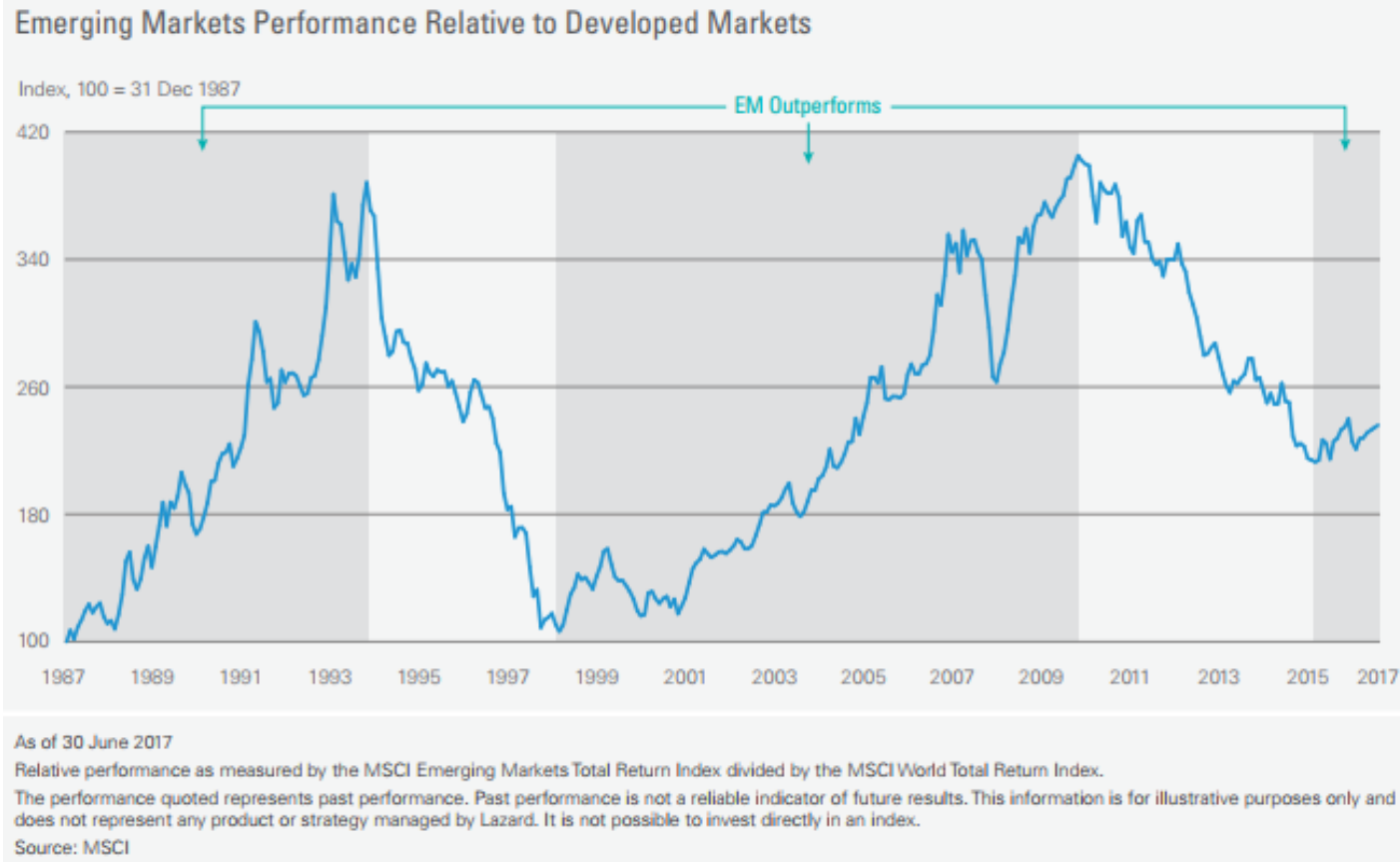
The optimism was matched by a jump in chief executives’ confidence about their companies’ prospects, detailed in an annual survey by PwC, the professional services company.

Source: FT.com

The Home of Exchange Traded Funds®



Riding the Risk-On Wave



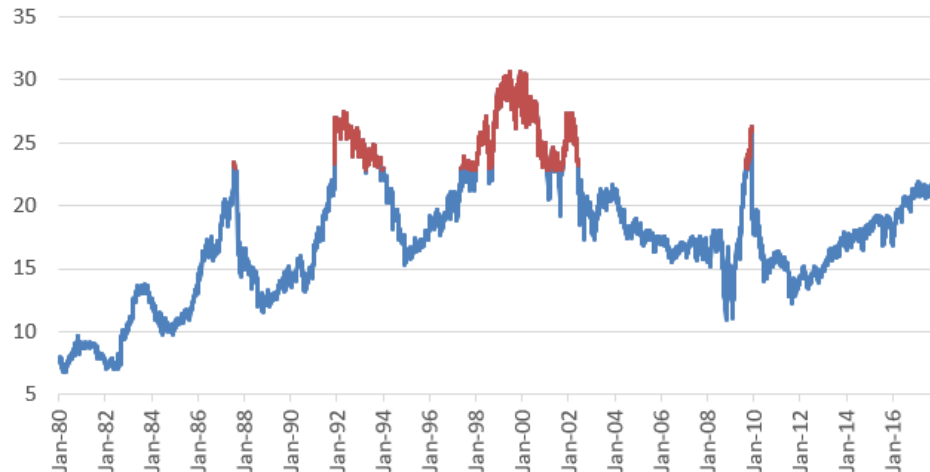
- Buy broad-based **Emerging Markets** yes, even as a South African!
- **Satrix MSCI Emerging Markets ETF (STXEMG)**
- Emerging markets underperformed China by almost **23%** in 2017

Asset Prices – is it the 11th hour?

S&P 500 Trailing 12-Month P/E Ratio



S&P 500 Trailing 12-Month P/E Ratio: 1980-Present



Source: SeekingAlpha.com

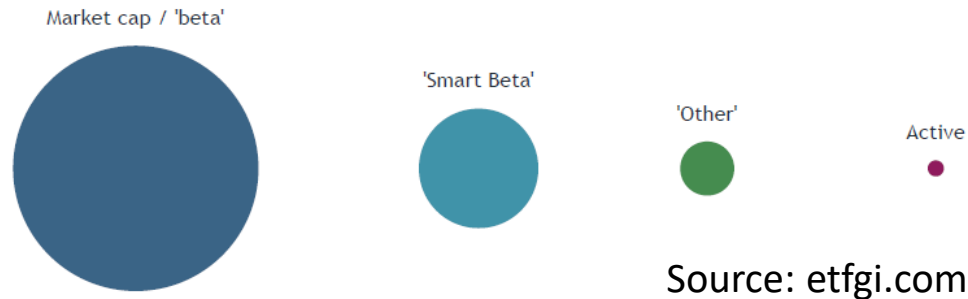
The Home of Exchange Traded Funds®



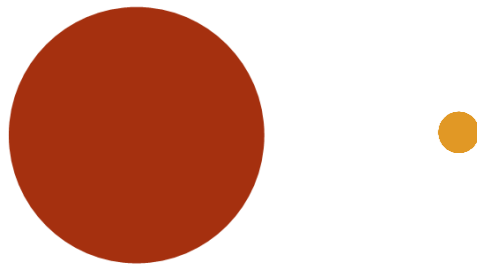
Surfing Smartly – Factors Find Favour

Smart beta – the shift from “passive” to “index” investing

- Global shift



- SA ready for lift-off



Some examples:

- NewFunds Equity **Momentum** ETF (NFEMOM)
- Satrix **Quality** ETF (STXQUA)
- Satrix **Dividend** ETF (STXDIV)
- CoreShares Global **Dividend Aristocrats** ETF (GLODIV)
– listing on 22-Feb-18

Note: only recommended for advanced and professional investors

There are now **83** different
Exchange Traded Products (**ETPs**)
listed on the JSE

more coming all the time
complexity is increasing

etfSA.co.za is here to help you

Question time...



...after Mike

Disclaimer

© **etfSA.co.za**: The Exchange Traded Products (ETPs) contained herein are mainly Collective Investment Schemes in Securities (CIS) and other listed securities which are generally medium to long-term investments that contain elements of risk and can be affected by market values, interest rates, exchange rates, volatility, dividend yields and issuer credit ratings. ETPs are listed on the Johannesburg, or other Stock Exchanges, and trade at ruling prices on such Exchanges.

The price of ETPs can go up as well as down and past performance is not necessarily a guide to the future. The ETPs 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.

The information and opinions provided herein are of a general nature and do not constitute investment advice. Whilst every care has been taken, no representation, warranty or undertaking, expressed or implied, is given as to the accuracy or completeness thereof. etfSA.co.za is managed by M F Brown, who is a registered financial services provider (FSP No. 39217). M F Brown has Professional Indemnity Insurance as required by FAIS.

The etfSA Investment Services Company (Pty) Ltd (FSP No 40107) provides asset management as well as financial intermediary and advice services. It uses Exchange Traded Products to construct portfolios for use in Retirement Annuity, Tax Free and Discretionary investments. It holds Professional Indemnity insurance and Fidelity Guarantee insurance as required by FAIS.

All opinions and information in this document may be changed at any time without notice. Redistribution, reproduction, the resale or transmission to any third party of the contents of this document, whether by email, newsletter, internet or website, is only possible with the written permission of etfSA.

etfSA.co.za, 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 document.

etfSA.co.za® and etfSA The Home of Exchange Traded Funds® are registered trademarks in the Republic of South Africa.