

# RMB Global Market Fund Solutions Exchange Traded Products

Glen Baker and Yusuf Wadee

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## **Difference between ETFs and ETNs**

### **Why choose ETFs?**

### **RMB's ETP product range**

- RMB MidCap ETF
- RMB Top40 ETF
- RMB Inflation-X ETF
- RMB Oil ETN
- RMB Coal ETN



# Difference between ETFs and ETNs

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- **Exchange Traded Funds**

- Listed as shares on the JSE
- In SA normally Collective Investment Schemes – Unit Trusts
- Physical replication – assets held at Trustee independent to the issuer

- **Exchange Traded Notes**

- Listed as shares on the JSE
- Issuer undertakes to provide performance of the Note
- Still daily NAVs
- Still on index or underlying asset approved by the JSE



# Why should I invest in an ETF – aren't CISs better?

- **Transparency**

- Underlying assets are known
  - Even if they constitute the index that the ETP is based on
  - Are known and can be referenced on websites or in public documents
- Not black boxes
  - Despite what some people might tell you!

- **Liquidity**

- RMB is a market maker in all of its products
- Due to its trading presence in the underlying asset markets RMB is confident of its ability to supply consistent and meaningful liquidity
- Liquidity possible at any time of the trading day
- Live prices different to normal CIS where there is liquidity once a day at best

- **Efficiency (cost and ease of access)**

- Within the fund costs are materially lower than CIS universe



# International experience - USA



## Recent Morningstar ETF conference in Chicago

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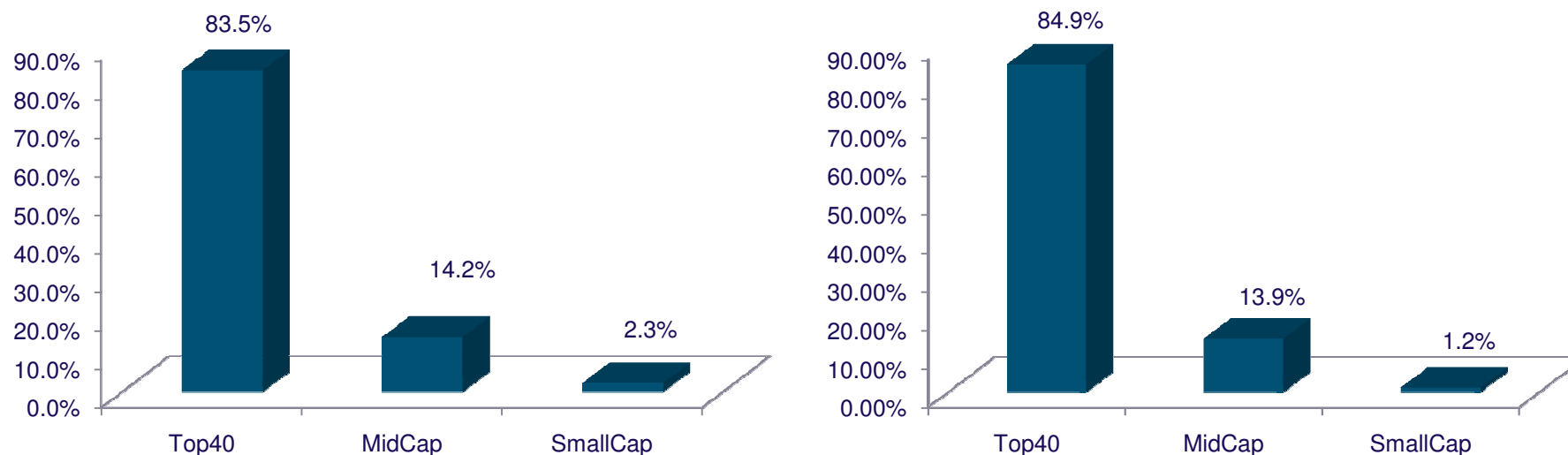
Results of a survey of Financial Advisors

- 78% of IFA respondents plan to increase their use of ETFs in retail investors' portfolios over the next year
- 20% of advisors are unsure
- 1% percent does not plan to increase their use of ETFs over the next year
- 71% of advisors say convenience and liquidity are the biggest advantages to using fixed income ETFs in retail portfolios
- 16% of financial advisors cite low costs as the biggest advantage
- 13% say transparency and tax advantages are the biggest benefits of using fixed income ETFs in retail client portfolios



## Liquidity in SA

- The ability to monetise your investment quickly
- The SA capital markets are deep in the listed equity, fixed income and forex markets
- Equity Markets – by market cap of available to trade shares(left) compared to shares traded (right)



- The liquidity of the index ETFs should not be measured by the size of the fund but by the size of the “capacity” in the underlying index
- The Top 40 funds are very scaleable, much more so than the “specialised” sector or index products. This is also why Top40 futures are so liquid and why foreigners stick to similar index products



## Costs in SA

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- Difficult to accurately measure across the board – especially in terms of the meaningful number i.e. **TER**
  - These are the costs within the fund and will include brokerage (the cost of transacting shares etc)
  - Those costs will include STT (0.25%) and will be passed on to the investor
- On an after cost basis for the 12-month period ending last Friday, the average Domestic – Equity – General Fund **is not beating the RMB Top40**
- Would have placed 56th / 113 funds with a return of 18.46% vs an average of 17.77% for General Equity Fund
- Costs require close analysis and all funds will have a cost of access. **The costs within ETF's are indisputably lower than actively managed CISs** – often by large amounts



# RMB MidCap ETF

## RMB MidCap ETF

RMB Top40 ETF

RMB Inflation-X ETF

RMB Oil ETN

RMB Coal ETN

## RMB MidCap ETF

Introducing

the RMB MidCap ETF

Another first from RMB





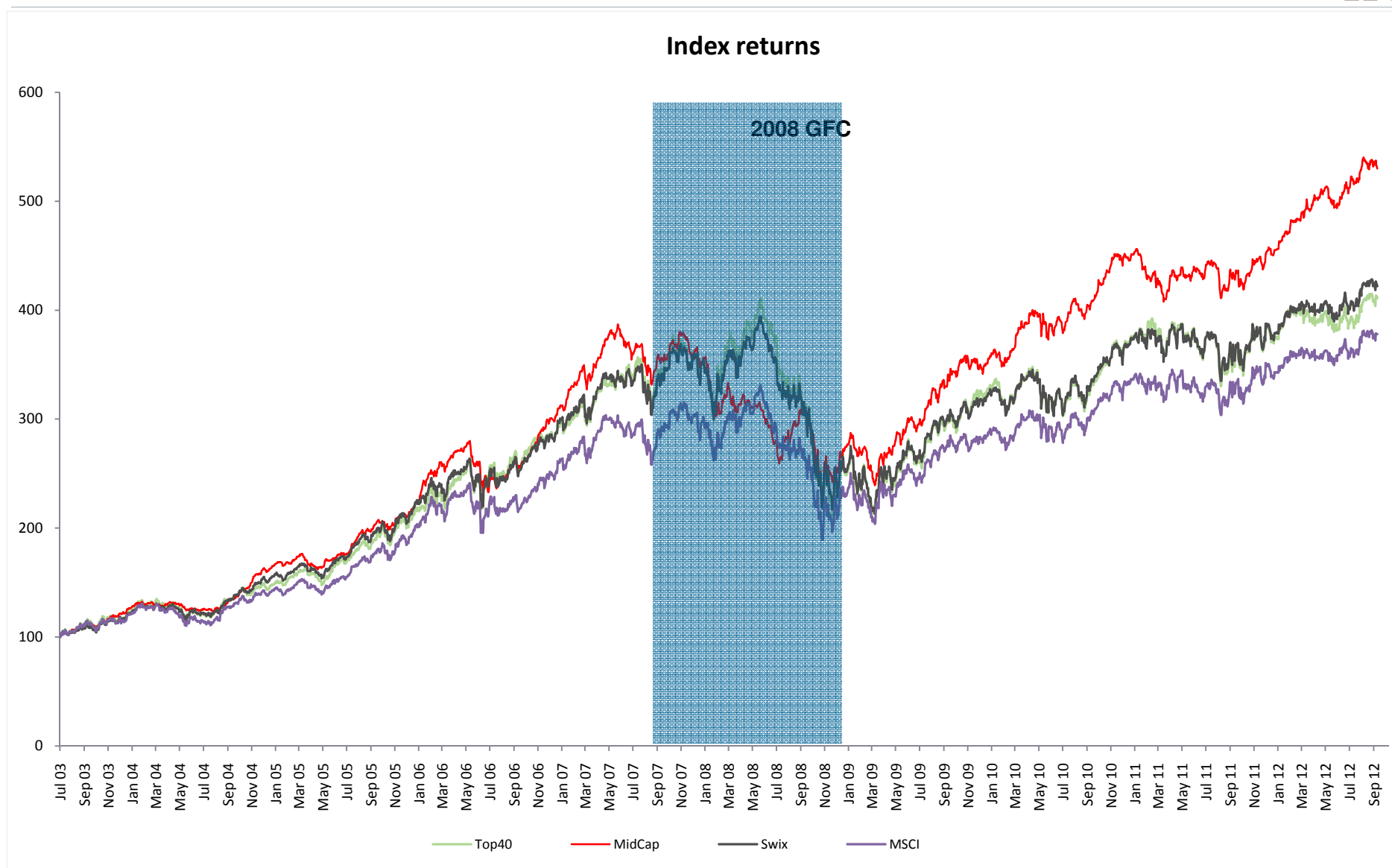
# RMB MidCap ETF



Indicator	Details
Launch date	15 August 2012
JSE code	RMBMID
NAV	R51.37
Fund size	R92.4m
Annual management fees (sliding scale)	R0–R20m = 0.5% >R20m = 0.2%
Benchmark	FTSE/JSE MidCap index
Transparency	Daily holdings and NAV available on website ( <a href="http://www.rmb.co.za/ourFundsETFsMidCap.asp">http://www.rmb.co.za/ourFundsETFsMidCap.asp</a> )
Management company	RMB CIS Manco (Pty) Ltd
Trustee	Absa Bank Limited



# RMB MidCap ETF - performance



Source: Bloomberg, RMB

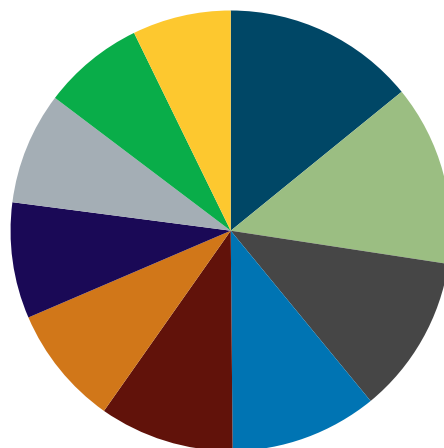


## RMB MidCap ETF – stock weightings

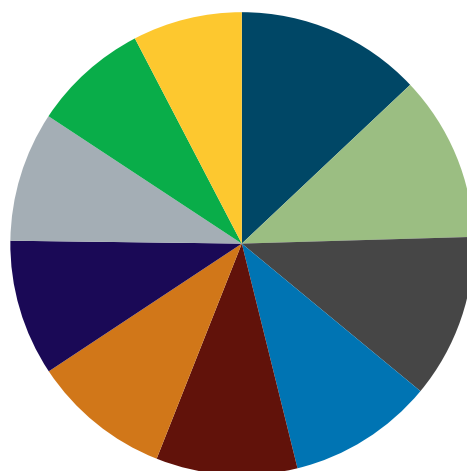
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# RMB MidCap ETF – sector weightings and Top 10 holdings



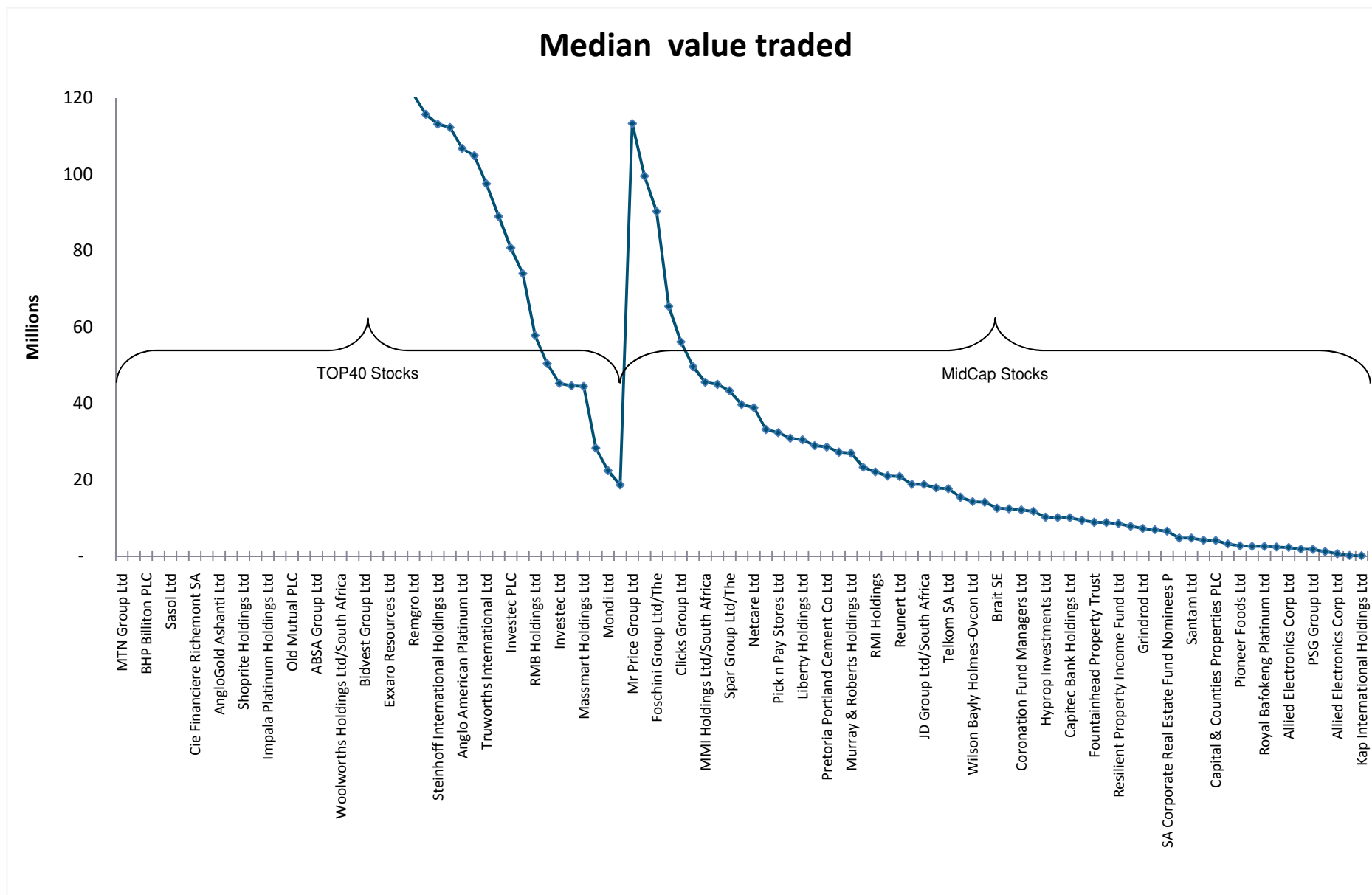
- Health Care Equipment & Service 10.51%
- Real Estate Investment & Servi 9.89%
- Financial Services 8.66%
- Equity Investment Instruments 8.04%
- Life Insurance 7.36%
- Food Producers 6.55%
- Food & Drug Retailers 6.34%
- Construction & Materials 6.12%
- General Retailers 5.57%
- Real Estate Investment Trusts 5.37%



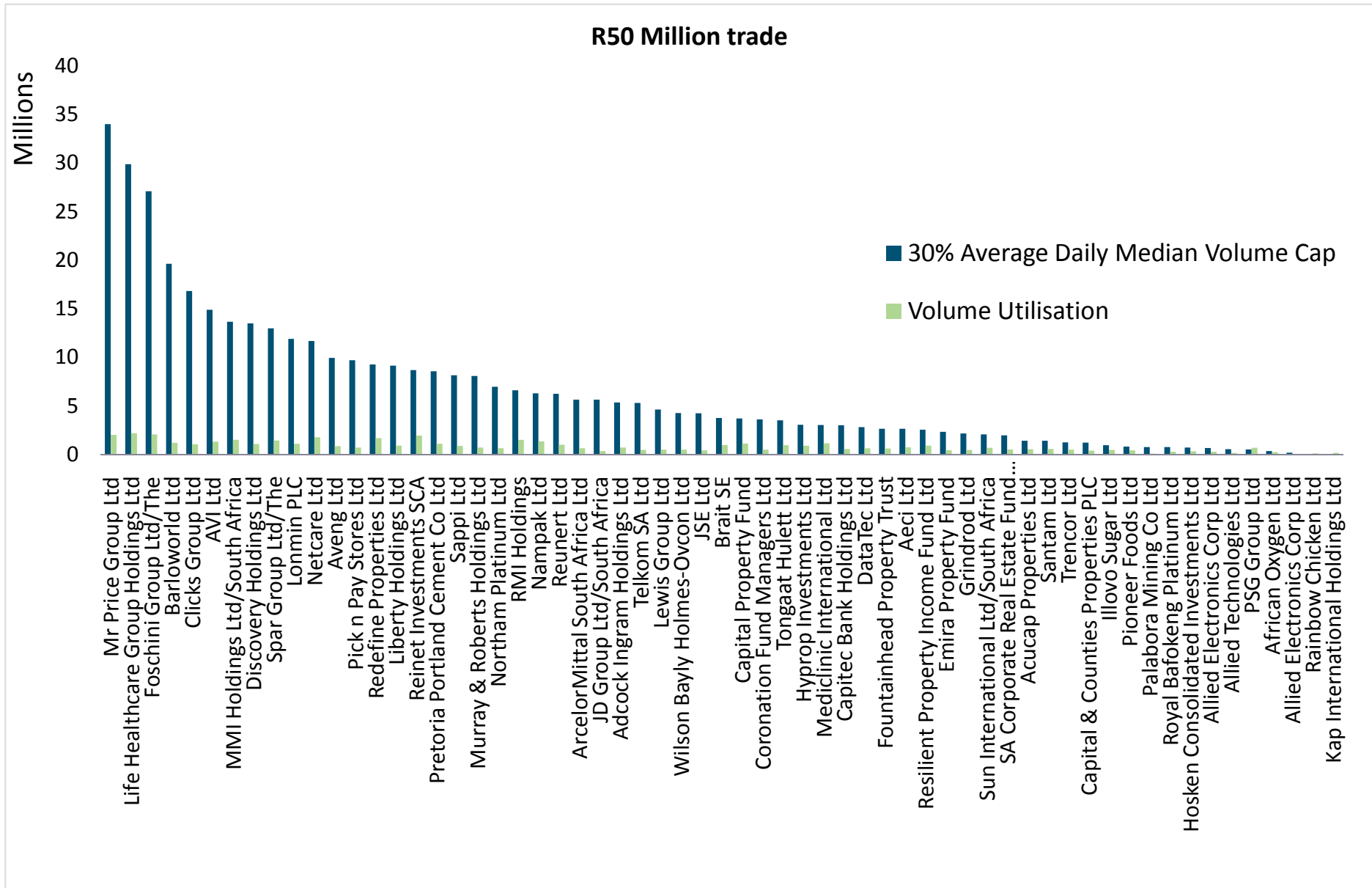
- Life Healthc Grp Hldgs 4.5%
- Reinet Inv Soc Anon 4.02%
- The Foschini Group Lim 3.97%
- Netcare Limited 3.52%
- Redefine Properties Lt 3.42%
- Rand Merchant Ins Hldg 3.36%
- MMI Holdings Limited 3.3%
- African Bank Inv Ltd 3.15%
- The Spar Group Ltd 2.8%
- Nampak Ltd 2.65%



# RMB MidCap ETF - liquidity analysis



# RMB MidCap ETF - liquidity analysis





# RMB Top40 ETF

RMB MidCap ETF

**RMB Top40 ETF**

RMB Inflation-X ETF

RMB Oil ETN

RMB Coal ETN

## RMB Top40 ETF

**Invest simply**

**Simply invest**

RMB's Top40 ETF gives you easy access to SA's blue chip market

Visit [www.rmb.co.za](http://www.rmb.co.za) for more information

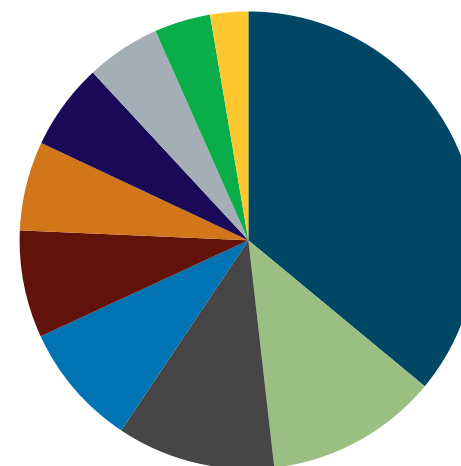
Rand Merchant Bank is an Authorised Financial Services Provider

The advertisement features a tin of Blue Chip Companies on a wooden surface. The tin label includes the text: "easy open", "SOUTH AFRICAN BLUE CHIP COMPANIES", and "FINEST SELECTION".



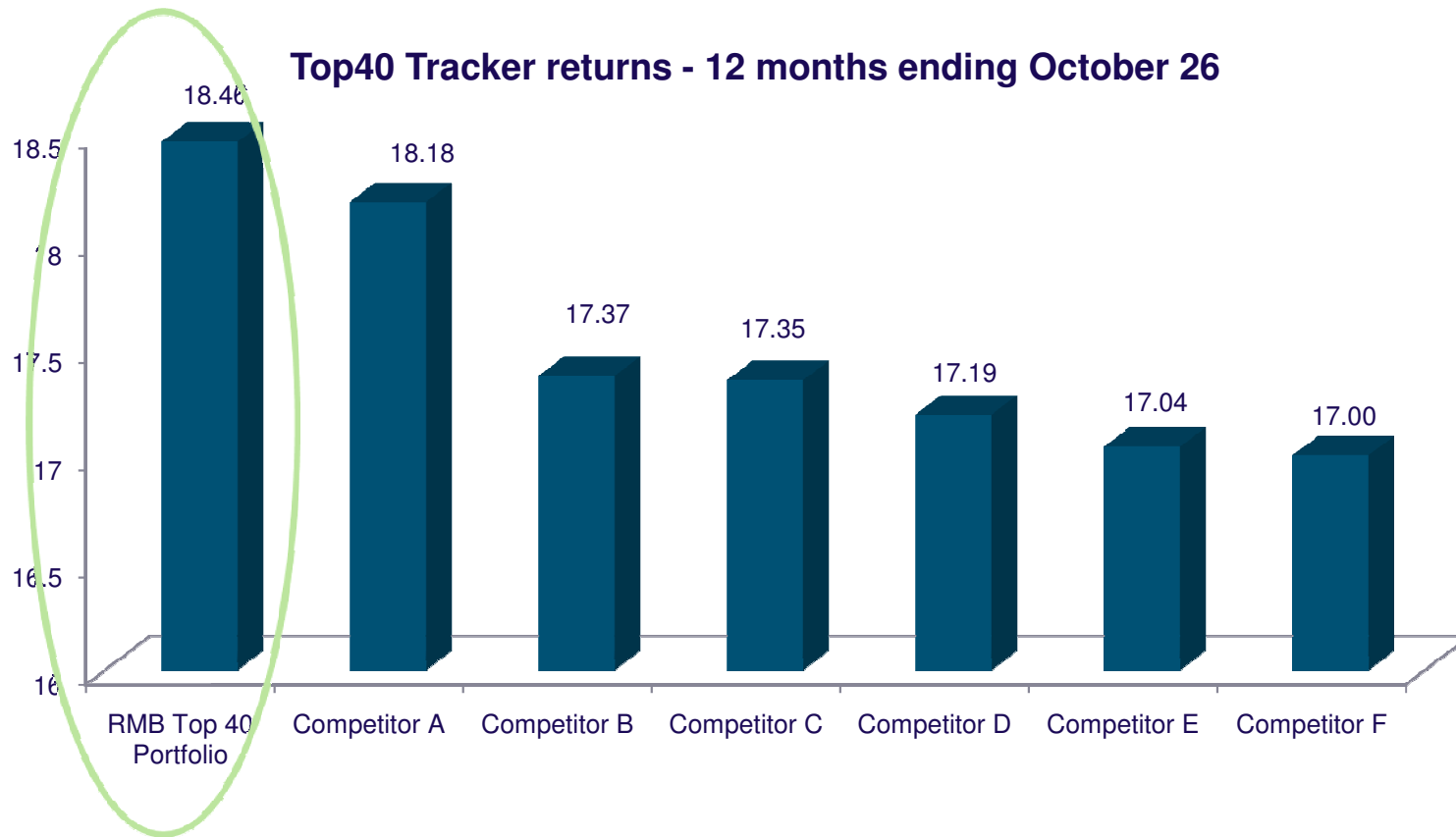
# RMB Top40 ETF

- Tracks index of SA's 40 largest and most liquid shares
- Weighted by Market Cap
- Index calculated and maintained by FTSE
- Availability
  - Stockbrokers
  - Various LISP platforms
- Other efficiencies
  - No STT (0.25%)
  - Distributions paid quarterly (replicates index dividend yield )



- Mining 30.81%
- Banks 9.57%
- Personal Goods 6.49%
- Media 5.22%
- General Retailers 3.4%
- Beverages 10.43%
- Mobile Telecommunications 7.47%
- Oil & Gas Producers 5.39%
- Life Insurance 4.5%
- Food & Drug Retailers 2.29%





Performance	RMB Top40 ETF
1 Month	5.25%
3 Month	9.98%
6 Month	9.76%
12 Month	18.46%
2 Year	13.57%
3 Year	13.29%



# RMB Inflation-X ETF

RMB MidCap ETF

RMB Top40 ETF

**RMB Inflation-X ETF**

RMB Oil ETN

RMB Coal ETN

## RMB Inflation-X ETF

Not all investments are equal

RMB's Inflation-X ETF  
keeps pace with inflation  
providing steady growth  
over time



Visit [www.rmb.co.za](http://www.rmb.co.za) for more information

Rand Merchant Bank is an Authorised Financial Services Provider

# RMB Inflation-X ETF



Indicator	Details
Target market	Investors seeking inflation-linked (real) returns
Product structure	<ul style="list-style-type: none"> <li>- Product tracks the GILBx index* (reweighted monthly)</li> <li>- Initial amount increases in line with inflation (as represented by changes in CPI)</li> <li>- Capital is preserved in real terms</li> <li>- Regulated as a Collective Investment Scheme (CIS)</li> <li>- No STT (Securities Tax)</li> <li>- RMB Inflation-X ETF units are listed on the JSE</li> </ul>
Guarantee	None
Liquidity and interest	<ul style="list-style-type: none"> <li>- Continuous intraday trading on the JSE</li> <li>- Interest paid out quarterly</li> </ul>
Investment horizon	Daily liquidity
Benchmark	GILBx index
Minimum investment	1 share
Fees (including VAT)	TER: 0.42%
Reporting	Daily holdings and NAV available on <a href="http://www.rmb.co.za">www.rmb.co.za</a>

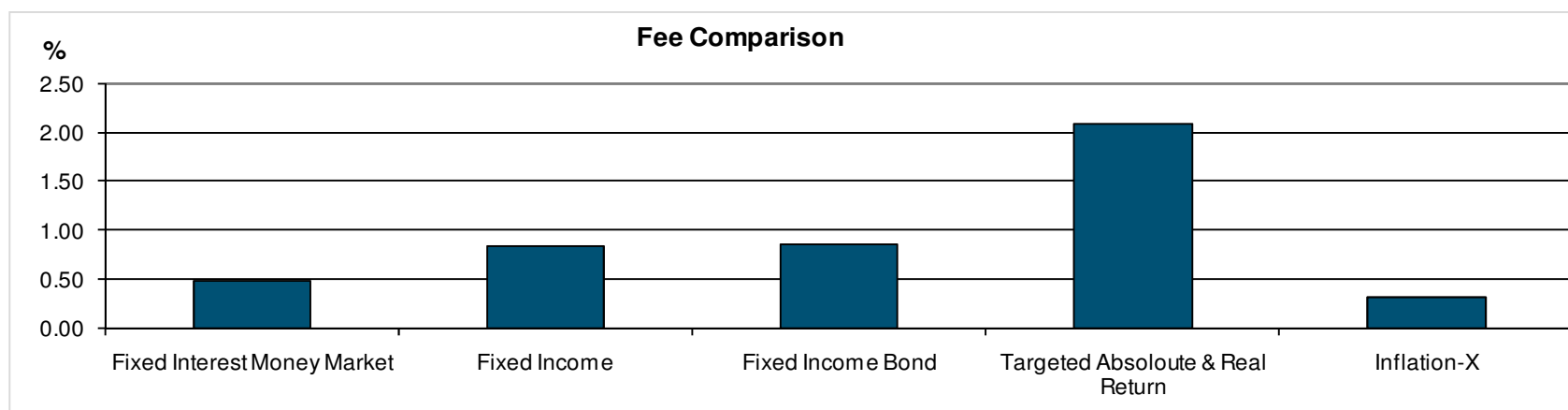
\* GILBx Index: Weighted basket of Government inflation-linked bonds



# RMB Inflation-X ETF

- Tracks Government Inflation-Linked Bond Index - GILBx
- Customised index calculated by Quant Financial Research
- Comprised of the following bonds , weighted by size of issuance (Table)

Fund portfolio holdings	
Bond	Weight
R197	34.30%
R202	28.54%
R210	15.29%
R211	9.62%
R212	12.26%

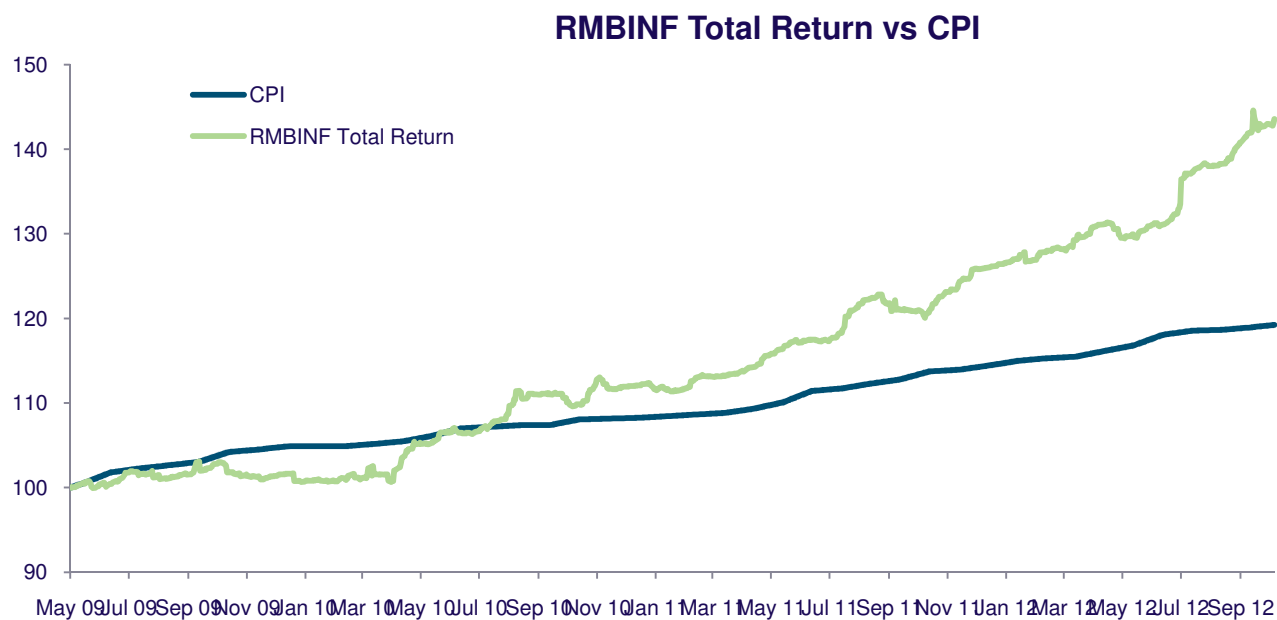




# RMB Inflation-X performance

## RMB Inflation-X

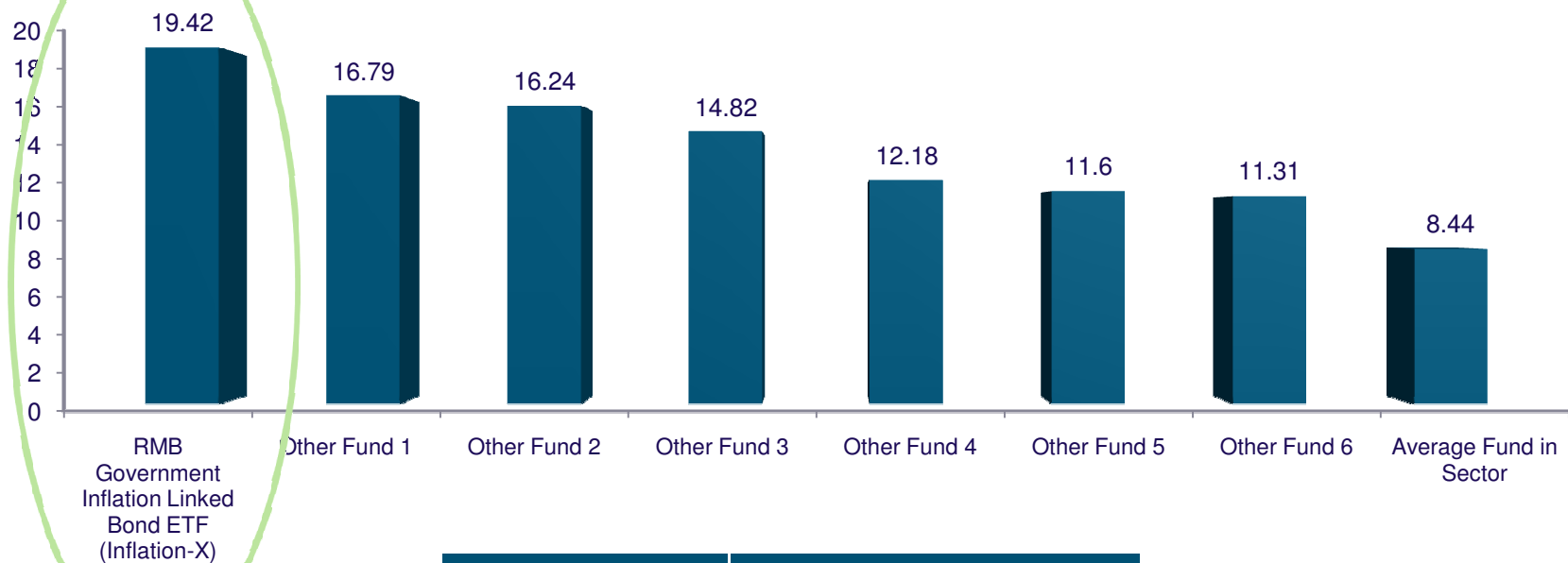
- The RMB SA Government Inflation Linked Bond ETF (Inflation-X) tracks the SA Government Inflation Linked Bond Index (GILBx)
- It's 1- and 2-year calendar returns place it the top 2 funds (no 2 both times) in its category 'Domestic – Fixed Income – Specialist Varied'





# RMB Inflation- X performance

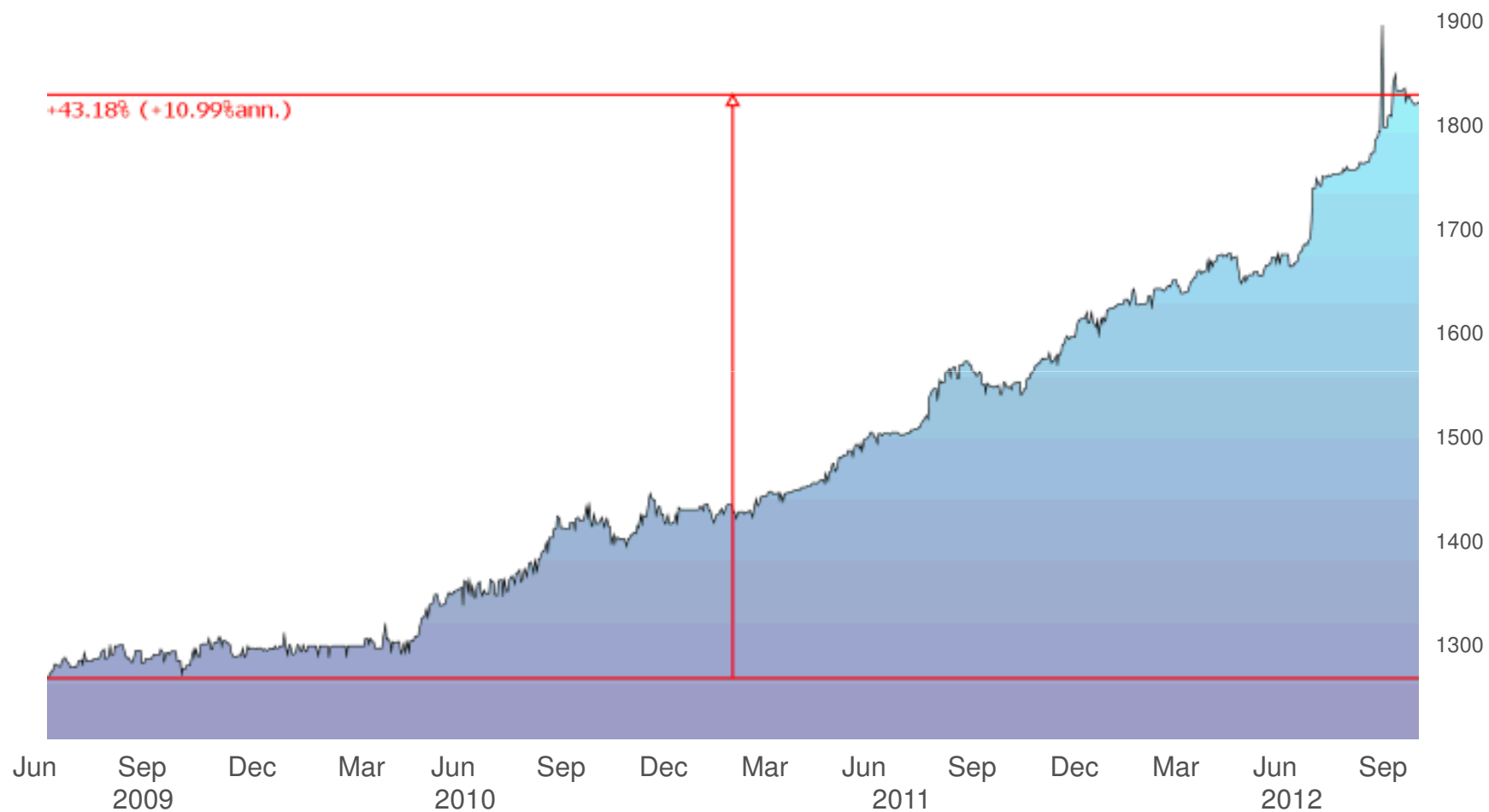
## Domestic Fixed Income Varied Specialist Funds 12-month performance to 26 October 2012



Performance	RMB Inflation-X ETF
1 Month	1.51%
3 Month	4.76%
6 Month	9.57%
12 Month	19.42%
2 Year	14.46%
3 Year	11.26%
	<b>1ST IN CATEGORY</b>



# RMB Inflation–X performance since inception



Source: Bloomberg



# RMB Oil ETN

RMB MidCap ETF

RMB Top40 ETF

RMB Inflation-X ETF

**RMB Oil ETN**

RMB Coal ETN

## RMB Oil ETN

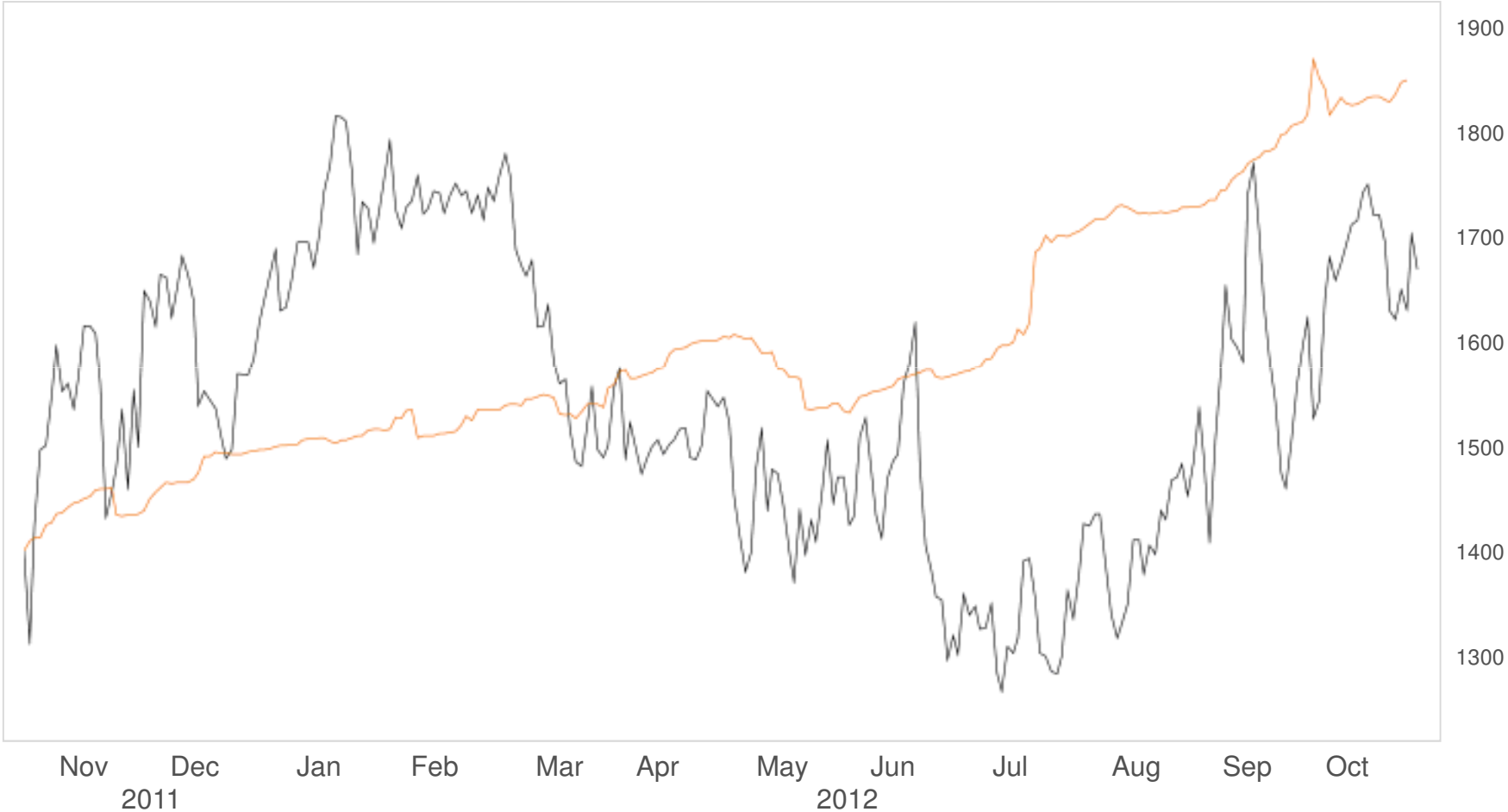






Indicator	Details
Target market	Investors seeking an inflation hedge and wanting to track the performance of West Texas Intermediate light sweet crude oil in rand
Product details	Underling is front month WTI Crude Oil Future traded on NYMEX. Crude oil is world's most actively traded commodity, and WTI light sweet crude oil contract is world's most liquid form of crude oil trading, followed by Brent crude.
Product structure	<ul style="list-style-type: none"> <li>- Tracks the RMB Oil Index (total return index)</li> <li>- Returns interest at one month US T-Bill rates</li> <li>- Index includes loss/ gain from the roll yield as the underlying future contract is rolled</li> <li>- Both a debt instrument and a security</li> <li>- Listed on the JSE and trades like a share</li> <li>- No STT (Securities Tax)</li> </ul>
Minimum investment	1 unit (currently trades at approx R624)
Exposure	1 unit = 1 barrel of WTI Crude Oil
Annual Fees	0.75% (accrued daily within index)
Maturity	December 2015
Reporting	Daily index value and price available on <a href="http://www.rmb.co.za">www.rmb.co.za</a>

# RMB Oil ETN – one year performance comparison vs Sasol



Source: Bloomberg



# RMB Coal ETN

RMB MidCap ETF

RMB Top40 ETF

RMB Inflation-X ETF

RMB Oil ETN

**RMB Coal ETN**

## RMB Coal ETN

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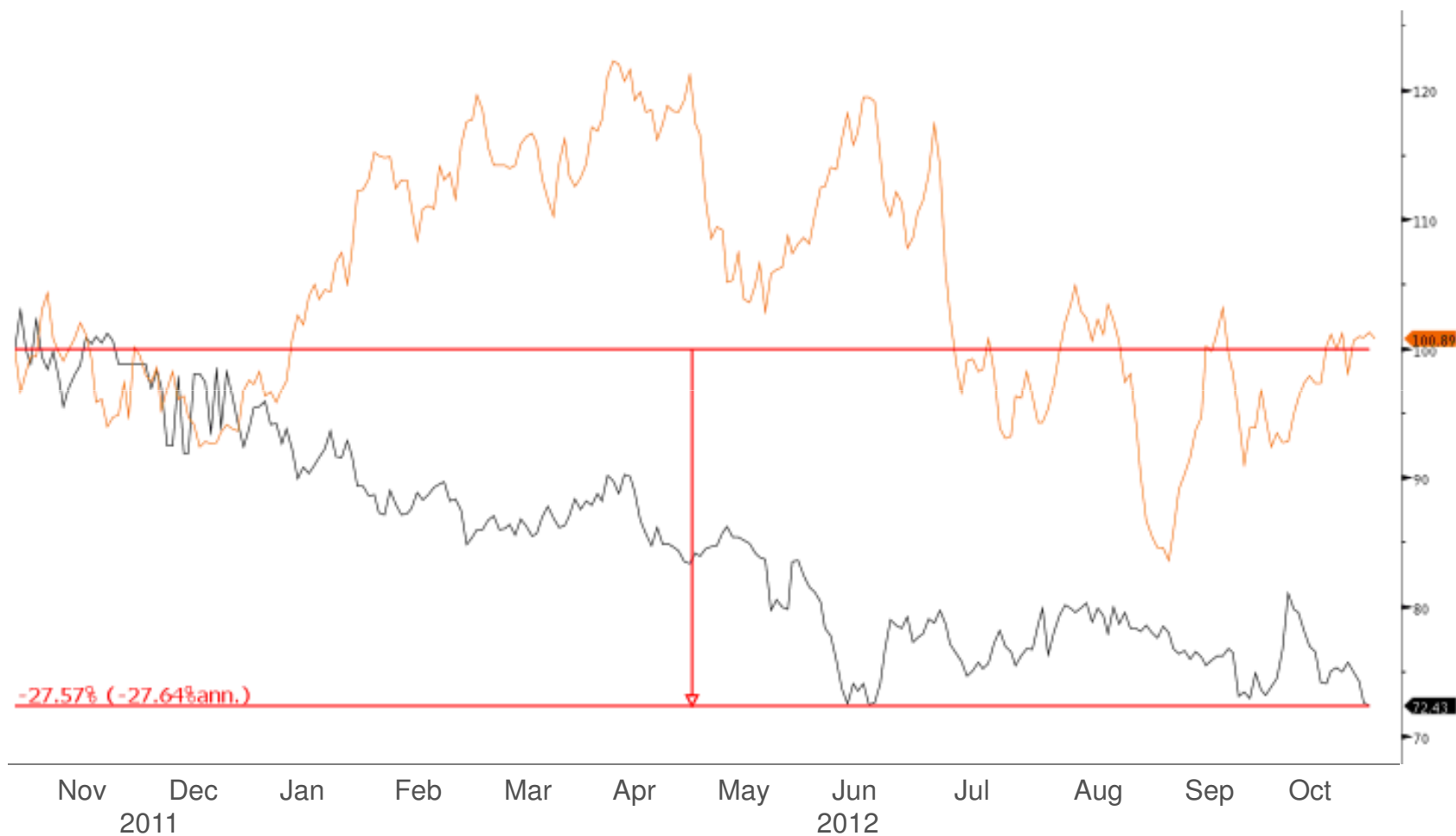
# RMB Coal ETN



Indicator	Details
Target market	Investors seeking an inflation hedge and wanting to invest into the performance of coal in rand. This product is the first of its kind globally. Unlike other coal ETFs or ETNs, it offers a direct investment into coal. All competitor coal ETPs are invested in companies linked to coal mining, equipment or transportation.
Product details	Underling is weighted average of the second and third month Richards Bay Coal Futures Contracts traded on ICE
Product structure	<ul style="list-style-type: none"> <li>- Tracks the RMB Coal Index (total return index)</li> <li>- Returns interest at one month US T-Bill rates</li> <li>- Index includes loss/ gain from the roll yield as underlying futures contracts are rolled</li> <li>- Both a debt instrument and a security</li> <li>- Listed on the JSE and trades like a share</li> <li>- No STT (Securities Tax)</li> </ul>
Minimum investment	1 unit (currently trading at approx R616)
Exposure	1 unit = 1 ton of coal
Annual Fees	0.95% (accrued daily within index)
Maturity	May 2016
Reporting	Daily index value and price available on <a href="http://www.rmb.co.za">www.rmb.co.za</a>



# RMB Coal ETN – performance comparison vs Exxaro



Source: Bloomberg

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