



SATRIX RAFI 40 TOP PERFORMING EXCHANGE TRADED FUND (ETF) IN 2009

By **Mike Brown, Managing Director, etfSA.co.za**

11 January 2010

A survey of the price changes in ETFs, traded on the JSE, shows that the **Satrix RAFI 40** ETF was the best performing ETF for last year. The Satrix RAFI tracks an index, calculated by FTSE/JSE, which selects 40 out of the 100 largest companies listed on the JSE, on the criteria of the past five years accounting data. What the Satrix RAFI 40 offers is an index based on fundamental or value considerations and the 36,5% price appreciation came from the local stockmarkets revaluation of fundamentally undervalued shares.

However, 2009 was a good year for the broad market indices as a whole and this is shown by the strong performance of all the Satrix ETF products. As the table below shows, all of the Satrix products showed a price appreciation of 22 percent or more last year.

| SATRIX PRICE PERFORMANCE (2009) | |
|--|-----------------|
| | % Change |
| Satrix RAFI 40 | 36,5 |
| Satrix RESI | 32,3 |
| Satrix 40 | 28,7 |
| Satrix INDI | 27,3 |
| Satrix DIVI | 26,8 |
| Satrix SWIX Top 40 | 24,7 |
| Satrix FINI | 22,7 |
| <i>Note: dividends not included in calculations.</i> | |

The good performance by the Satrix family of ETFs in 2009 is largely due to:

- General market recovery on the JSE.
- Large capitalisation shares (and the indices tracked by Satrix include only the larger market cap shares) generally recover first in the market cycle, as uncertain investors require the liquidity produced by the large well traded shares when re-entering the market.

Outside of the Satrix ETFs, there were a number of strong performing Exchange Traded Funds in 2009, as shown below.

| BEST AND WORST PERFORMING ETFs IN 2009 (excluding Satrix) (price performance % change) | | | |
|--|------|--|------------------|
| Best | | | Worst |
| BIPS Top 40 | 27,9 | | DBX Japan (17,7) |
| NewSA | 25,0 | | zGovi (8,4) |
| eRAFI™ Overall | 24,6 | | DBX World (1,7) |
| NewRand | 18,6 | | |
| <i>Note: dividends not included in calculations.</i> | | | |

The generally lower performance of specialised index products in 2009, often tracking composite, rather than broad market indices, compared with the broad market index tracking Satrix products, suggests that the JSE was focusing on size and liquidity last year rather than looking for specialised market opportunities. Nonetheless, ETFs such as the **NewSA** fund, which weights companies on BEE and other empowerment criteria (which appreciated by 25%) and the **Absa/Plexus eRAFI™** ETF (up by 24,6%) showed good returns to investors.

At the other end of the scale, the worst performances included the **Deutsche Bank Japan** and **DBX World** index tracking ETFs, which were negatively affected by the strong rand exchange rate and the underperformance of developed stockmarkets relative to the JSE. Also performing relatively poorly was **NewGold**, which tracks the rand gold price and which doubled its market capitalisation from R7 billion to over R14 billion last year, despite a negative price performance

Another fund which disappointed on price performance was the **Proptrax** ETF, which tracks the JSE Property index, and consists of the 16 largest property unit trusts, loan stocks and other property shares listed on the JSE. After being a top performer in 2008 (when interest rates were falling), the Proptrax price only appreciated by 3,2% in 2009. However, property is the fourth asset class and is an ideal diversification product for investors.

Accordingly, Proptrax, zGovi, NewGold and other specialised ETFs could come into their own in 2010 and investors may well be open to the opportunities offered by some of the lower performing ETFs last year. In particular, the risk of rand depreciation may well encourage a second look at the Deutsche Bank international market tracker products.

Notes on ETFs Performance

1. The price performance figures in this article, exclude the re-investment of dividends, as a number of ETFs have not yet paid their final dividend for 2009.
2. The prices of all ETFs include their Total Expense Ratios (TERs), and most ETFs include the brokerage and other transaction charges incurred in rebalancing their portfolios on their TERs. This is unlike most unit trusts, where the transaction and brokerage charges in portfolio rebalancing are excluded from TERs.
3. ETFs can be purchased from stockbrokers, where the brokerage fees are negotiable (but often include a minimum fee for each transaction) and monthly custodian, administration charges, etc. are often payable. Investment Plans, administered on behalf of some ETF providers, such as Satrix, Deutsche and Absa, offer investors the scope to invest in the products of their ETF issues at an annual management cost, which is generally less expensive than stockbrokers and other LISP platforms operated for unit trusts.
4. etfSA operates an investment scheme, which offers transaction capabilities in all ETFs, including Satrix, Deutsche, and Absa at the same annual management cost as the Investment Plans for single ETF providers. Products such as zGovi, BIPS, Proptrax are uniquely available on the etfSA investor scheme. etfSA therefore offers a wider choice, but at no cost premium to other investment plans.



| SA ETFs – PRICE PERFORMANCE DATA (Year ended December 2009) | | | |
|--|----------------------|-----------------|-----------------|
| | Price (Rands) | | % change |
| | Dec 2008 | Dec 2009 | |
| ABSA | | | |
| NewGold | 80,40 | 80,25 | (0,2) |
| NewRand | 17,01 | 20,17 | 18,6 |
| NewSA | 21,30 | 26,63 | 25,0 |
| Shari'ah Top 40 | - | - | - |
| eRAFI™ Overall | 20,84 | 25,96 | 24,6 |
| eRAFI™ FINI | - | - | - |
| eRAFI™ INDI 25 | - | - | - |
| eRAFI™ RESI | - | - | - |
| | | | |
| BIPS | | | |
| BIPS Top 40 | 19,52 | 24,97 | 27,9 |
| BIPS Inflation-X | - | - | - |
| | | | |
| Deutsche Bank | | | |
| DBX EU | 32,17 | 31,72 | (1,4) |
| DBX UK | 60,11 | 65,16 | 8,4 |
| DBX JP | 5,71 | 4,70 | (17,7) |
| DBX US | 8,06 | 8,25 | 2,4 |
| DBX World | 8,90 | 8,75 | (1,7) |
| | | | |
| Investec | | | |
| zGOVI | 11,25 | 10,31 | (8,4) |
| Proptrax | | | |
| Property Tracker | 31,00 | 32,00 | 3,2 |
| Satrix | | | |
| Satrix 40 | 19,45 | 25,03 | 28,7 |
| Satrix INDI | 16,91 | 21,53 | 27,3 |
| Satrix FINI | 6,03 | 7,40 | 22,7 |
| Satrix RESI | 38,62 | 51,08 | 32,3 |
| Satrix SWIX Top 40 | 4,17 | 5,20 | 24,7 |
| Satrix DIVI | 1,12 | 1,42 | 26,8 |
| Satrix RAFI | 4,58 | 6,25 | 36,5 |
| <i>Source: I-Net Bridge/JSE.</i> | | | |

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.