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New Investec Exchange Traded Notes (ETNs)

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27 November 2012

Investec Capital Markets, a division of Investec Bank Limited, listed three new ETNs on the JSE in late-October 2012. These three new products have certain unique characteristics that differentiate them from other Exchange Traded Products, covering similar indices or assets.

Investec Gold ETN	Offers investors exposure to the US dollar gold price . Other gold-based ETPs, listed on the JSE, such as NewGold ETF and the Standard bank Gold-Linker ETN, provide exposure to the rand price of gold . In order to trade the Investec Gold ETN in rands on the JSE, Investec utilises a so-called "quanto" adjustment, whereby it accounts for any percentage movement in the US dollar gold price being reflected in a one-tenth change in the rand price of the Investec Gold ETN. For instance, if the US\$ gold price moves from US\$1740 to US\$1780 per ounce, the Investec ETN price will go from R174 per security to around R178 per security. Investec does not charge a management fee for the Investec Gold ETN, but will impose a quanto-linked fee, which is the hedging cost of the dollar/rand currency risk.
Investec Top 40 Total Return ETN (Top40 TRI)	Provides the return of the FTSE/JSE Top 40 market capitalisation index on a total return basis. All dividends received from companies in the Top 40 index are reinvested on receipt. The Investec Top 40 ETN differs from other ETP products, like Satrix 40, RMB Top 40 and Stanlib Top 40 which track only the price of the Top 40 index and not the distribution income to provide a total return.
Investec Shareholder Weighted Top 40 Total Return ETN (SWIX 40 TRI)	This ETN tracks the FTSE/JSE Swix Top 40 market capitalisation index on a total return basis, by immediately reinvesting any dividends received from the companies in the SWIX index. It mirrors the Absa Capital NewFunds SWIX 40 total return ETF, which also tracks the SWIX Top 40 total return index, but is structured as an Exchange Traded Fund rather than an ETN.

Characteristics of the Investec ETNs

- The new Investec products are all structured as **Exchange Traded Notes (ETNs)**. The issuer of an ETN has the obligation to provide the total return of the index or asset being tracked by the Note. This obligation requires that an ETN be regarded as a debt instrument and the credit rating of the issuer has to be taken into account by the investor.

Because the ETN issuer is obliged to provide the total return of the underlying asset or index being tracked, this should **alleviate most, if not all, tracking error**.

- The issuer of an ETN is able to give exposure to the index or asset being tracked through the **ownership of forward or future contracts**, rather than physically having to hold the exact constituents of the index. This means that the ETN can avoid the complex and costly ETF structure of physically acquiring assets, holding them in a ring-fenced insolvency remote trust, appointing independent Trustees and entering into an arm's length contract between the (holding) trust company and the Manco (issuing) company. The relative simplicity of the structure of an ETN can bring **significant cost savings for the investor in ETNs**.

- Investec does not charge **any management fees** for its ETNs, which means that they have an effective TER of zero.
- Investec Bank will provide a **market making facility** for its products, ensuring that a bid and offer spread at the fair value of the ETN is available at all times. The fair value or Net Asset Value, of the Investec ETN is calculated and published on a daily basis. Investec can quote a bid and offer spread of up to 20bps on either side of NAV.
- The Investec ETN provides a **total return by immediately reinvesting any distribution by companies in the index back into the ETN**. As such, the value of the ETN will increase by the reinvestment amount. An ETP which tracks the price only index, will pay out dividends at the end of each quarter, which then needs to be reinvested by the investor to generate a total return. The time delay in reinvesting such distributions will lead to tracking error. **A total return product would eliminate much of this “timing” tracking error.**
- The Investec ETNs provide the total return of the index through the capital value (price) of the ETNs and **do not make any dividend or income distributions**. Accordingly, no tax is payable on distributions, but once ETN is sold, any gain in capital value realised would be taxed, either as income or capital.

Investec ETN Product Details			
	Gold ETN	SWIX Top 40 ETN	Top 40 ETN
Full Name	Investec Gold ETN	Investec SWIX 40 TRI ETN (TRI = Total Return)	Investec Top 40 TRI ETN (TRI = Total Return)
Share Name	Gold ETN	SWIX 40 TRI	Top 40 TRI
JSE Code	GOLDEN	SWXTRI	TOPTRI
Index/Asset Tracked	US\$ Gold Price	FTSE/JSE Africa SWIX Top 40 (Total Return)	FTSE/JSE Africa Top 40 Index (Total Return)
Management Fees	Zero	Zero	Zero
Other Costs	<ul style="list-style-type: none"> Quanto – Rand/US dollar hedge cost Bid/offer spread 	Bid/Offer spread	Bid/Offer spread
Tracking Target	<ul style="list-style-type: none"> US Dollar Gold Price Traded in Rands on JSE 	The Total Return of the Shareholder Adjusted Top 40 Index (SWIX 40)	The Total Return of the Top 40 Index.
Current Price	R174,55	R101,50	R41,15
Credit Rating	AA3 (Moody's) A+ (Fitch)	AA3 (Moody's) A+ (Fitch)	AA3 (Moody's) A+ (Fitch)

Source: Investec Bank Product Fact Sheets and Brochures.

Exchange Traded Notes (ETNs) are listed on the Main Board of the JSE and trade like normal shares on the JSE at all times the market is open.

ETNs can be transacted through any JSE member stockbroker, or through the dedicated ETP platform, etfSA Investor Scheme® (www.etfsa.co.za). etfSA.co.za will accept debit order investments from R300 per fund, and/or lump sum investments from R1000. There is no limit on the maximum lump sums or debit orders invested.

Financial Service Providers (FSPs) require a 1:8 license (shares and securities) in order to offer advice and intermediary services on ETNs, which, unlike ETFs, are not Collective Investment Schemes.

For more information or detail, please contact the undersigned.

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