

### LAUNCH OF NEW ETF ON THE JSE

The **1invest ICE US Treasury Short Bond Index Feeder ETF (ETFUSD)** listed on the JSE on 8<sup>th</sup> of September 2022. This new ETF falls into the category of “Foreign Interest-bearing” and seeks to track, as closely as possible, an index that provides exposure to liquid, short-term U.S. government Treasury Bills (T-Bills), with less than 12 months to their maturity date (the date on which your principal investment amount is scheduled to be repaid to you). With the yields on shorter-dated U.S Treasury bonds edging up, considerations of the **1invest ICE US Treasury Short Bond Index Feeder ETF** in one’s portfolio is a great way to provide an income, that is U.S. Dollar-based, in the form of interest (coupons). This ETF reflects changes in the Rand/USD exchange rate, providing a Rand/Hedge exposure at a moderately low risk profile.

The details of the new product are as follows:

ETF Name	JSE Code	Issuer	Listing Date	ISIN	Sector Exposure
1invest ICE U.S. Treasury Short Bond Index Feeder ETF	ETFUSD	1invest	8 September 2022	ZAE000313391	U.S. Treasuries – short-term bonds

This ETF is available on all the etfSA.co.za platforms for tax-free and discretionary investments and will be carefully considered for inclusion in the retirement funds portfolios and wealth management portfolio services offered by etfSA.co.za.

### OVERVIEW

U.S Treasury bonds have similar characteristics than traditional bonds in that interest is paid to investors, in the form of coupons, for lending money to the government. The **1invest ICE US Treasury Short Bond Index Feeder ETF (ETFUSD)** feeds into the **iShares \$ Treasury Bond 0-1yr UCITS ETF**, which tracks the **ICE US Treasury Short Bond Index** (‘The Index’). By investing in this ETF, you have exposure to U.S. Dollar denominated fixed rate securities, such as Treasury Notes and Treasury bills in the United States. It is a distributing ETF, which means that distributions will be paid out. Fixed rate coupons (interest) are received and distributed quarterly. There are approximately 87 constituents, and the Index is market value weighted. Investments into this ETF are made in **South African Rands**; however, the underlying securities are in US Dollars. This means that the performance is exposed to currency risk (i.e., exchange rate differential).

- The Total Investment Charge (TIC) of this ETF is 0.255%
- The credit rating is AAA (investment grade – highest credit rating), which means that the chances of default is low
- The underlying iShares ETF has an MSCI ESG (Environmental, Social and Governance) rating of A (Average).
- **This ETF is suitable for investors with a short-term view and the risk profile is moderately low in USD terms, but higher in ZAR terms due to currency risk**

### WHY INVEST IN US TREASURY BONDS?

According to 1invest, the outlook for U.S. Treasury Short-Term Bonds is attractive for the following reasons, among others:

- Treasury bonds are considered low-risk investments, because the U.S. government will ensure that bondholders will be paid. You get the benefit of a ‘guarantee’ on the principal amount, if the investment is held to maturity, and the addition of ‘interest’ payments for lending money to the U.S. government. The government promises to pay you back what you lent them, and pays you interest for borrowing your money throughout the duration of the bond.
- Currency diversification – When the US Dollar rises, it strengthens against the Rand. The value of Investors’ offshore investments, in Rands, also increases because of the currency conversion, adding diversification to a portfolio.
- The ICE US Treasury Short Bond Index is liquid because of the short duration of the bonds (less than 12 months). Furthermore, due to the short duration, interest rate fluctuations have limited impact on the capital performance of the ETF.

## 1 Invest ICE US Treasury Short Bond Index Feeder ETF

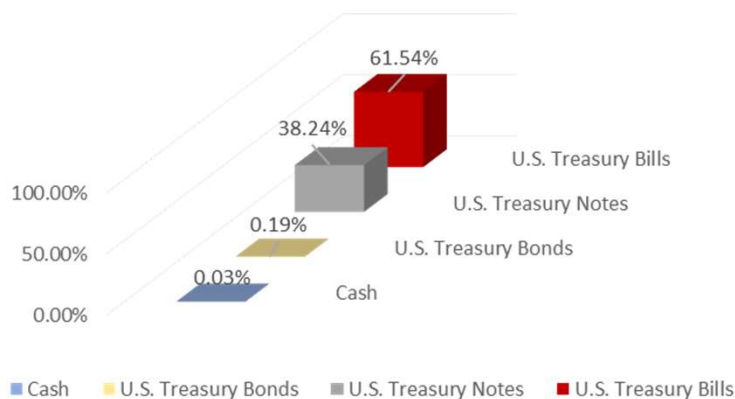
September 2022

Looking at the underlying holdings of the **ICE US Treasury Short Bond Index**, it largely consists of U.S. Treasury Bills (T-Bills), which means it is highly liquid. The Top 10 holdings of the Index solely consists of T-Bills and makes up about 62% of the total holdings. U.S. Treasury Notes (T-Notes) make up about 38% of the underlying holdings, which is followed by a slight allocation to U.S. Treasury Bonds (T-Bonds) and cash. The table below illustrates the difference between T-Bills, T-Notes, and T-Bonds:

U.S Treasury Bills (T-Bills)	U.S. Treasury Notes (T-Notes)	U.S Treasury Bonds (T-Bonds)
<b>Definition</b> T-Bills are short-term government debt instruments that are sold at a discount to par. You essentially pay less than the full value upfront and receive the full value at maturity. For example, you purchase a \$100 T-Bill at a discount price of \$98 and will receive the full \$100 (face value) at maturity.	<b>Definition</b> T-Notes are government debt instruments that pays a fixed interest rate over a fixed duration of the Note, whereby the holder is also paid a par amount equal to the principal amount	<b>Definition</b> T-Bonds are government debt instruments that pay an interest during the lifetime of the bond until maturity, whereby the bondholder is also paid a par amount equal to the principal amount.
<b>Maturity</b> The shortest-term Treasury securities. Ranges from just a few days, up to twelve months	<b>Maturity</b> Ranges from short-term to long-term of up to ten years	<b>Maturity</b> Ranges from short-term to long-term of up to 30 years
<b>Coupon</b> T-Bills pay no interest. Rather than making interest payments, they are sold at a discount to face value. The return is derived from the difference between the purchase price (par value) and redemption price (face value) at maturity	<b>Coupon</b> Interest is paid semi-annually throughout the duration of the Note	<b>Coupon</b> Interest is paid semi-annually throughout the duration of the Bond

Source: etfSA (08/09/2022)

Holdings Allocation



Source: 1 Invest (08/09/2022)

Short-duration investments, such as this 1 Invest ICE US Treasury Short Bond Index Feeder ETF, may compliment cash and longer-duration bond investments in a portfolio, given the potentially lower volatility, liquidity and duration, allowing for potential returns above cash or money market investments.

T-bills have little to no default risk, however they are not without risk. Interest rate risk is a factor to consider in a rising rate environment, whereby existing holders may lose out on higher rates in the future. Timing is also a risk if T-Bills are sold too early. There could be a gain or a loss depending on the price, which could be lower than the original par value.

ICE US Treasury Short Bond Index - Cumulative Total Return Performance



Source: ICE (02/09/2022)

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