



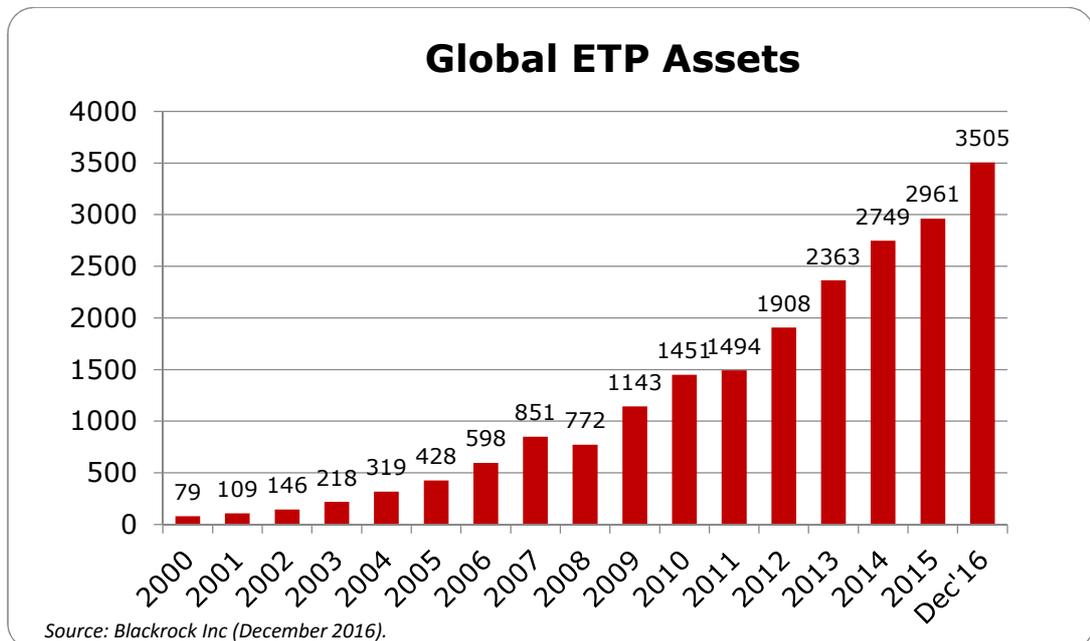
State of the ETF Industry in 2016

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Review of the Global ETF Markets

2016 saw another record broken for the inflows of capital into new Exchange Traded Products listed on global markets. The highlights for the year, according to the Blackrock Global ETP Landscape Report – December 2016, were:

- Global ETF inflows totalled US\$379,5 billion, representing a 13% organic growth, and topping 2015's record inflows of US\$350,7 billion.
- Inflows into fixed interest ETPs set a new annual record of US\$115 billion.
- Inflows into US equity ETPs recovered strongly in the second half of 2016, mainly into large capitalisation ETFs, but small cap and dividend focussed ETFs also saw strong inflows in late-2016.
- Emerging market ETFs also came back into favour in late-2016, reversing 3 years of outflows from ETPs covering emerging markets.
- The total assets held by listed ETPs in global markets at the end of 2016, amounted to US\$3505 billion, an increase of 18,4% on assets under management, at the end of 2015. There are now over 6000 ETPs listed on stock exchanges around the world.
- In each year since 2008, global inflows of new capital into passive ETPs have exceeded the flow of new capital into actively managed mutual funds and unit trusts.
- The graph below shows the steady and steepening rise in the global assets in ETPs.



The South African ETP Industry

The poor performance of the JSE All Share Index (up by only 2,4% with dividends reinvested); negative returns from offshore investments, because of the strengthening rand; muted returns for bonds in a cycle of rising interest rates; and a volatile year for commodities, resulted in a relatively poor year for market cap index based passive investments, like ETFs/ETNs. Only the resources index and the listed property share indices recorded meaningful rates of growth in 2016.

This poor index performance took its toll on the South African ETP industry. The total market capitalisation of the Exchange Traded Products, listed on the JSE, fell to R74,1 billion from R79,1 billion at the end of 2015, a drop of 6,2%.

The Table below shows the growth in the assets under management and the number of ETP products listed on the JSE. Market capitalisation has grown from R16 443 million in 2008 to R74 126 million in 2016 and the number of listed ETPs from 17 to 73 over this period.

State of SA ETP Industry									
Summary – Market Capitalisation & Number of Products – end of Period									
(Market Cap R million)									
Fund	2008	2009	2010	2011	2012	2013	2014	2015	2016
Exchange Traded Funds (ETFs)	16 443	27 534	32 869	36 779	41 663	56 091	71 522	70 313	65 517
Exchange Traded Notes (ETNs)	-	-	465	3 280	6 107	6 884	7 818	8 741	8 609
Total	16 443	27 534	33 334	40 059	47 770	62 975	79 340	79 054	74 126
Number of Products									
ETFs	17	23	26	30	38	35	44	45	48
ETNs	-	-	4	16	23	23	25	25	25
Total	17	23	30	46	61	68	69	70	73
<i>Source: etfSA.co.za / JSE / Profile Data (30/12/2016).</i>									

Despite the generally poor performance of the major indices in 2016, certain ETFs were able to show strong positive returns. These were products that tracked specific sectors - like mining or smart beta products, which seek value opportunities or specific factor outcomes, based on smart index methodology.

Best Performing ETPs in 2016		
Product	12 Month Return	Type
NewFunds S&P GIVI Resources ETF	34,89%	Picks resource stocks based on intrinsic value technology (smart beta).
CoreShares Green ETF	28,79%	Sources index constituents based on environmental scoresheets (smart beta).
Satrix RESI 10 ETF	28,26%	Top 10 SA resources companies (market cap).
Ashburton MidCap ETF	25,61%	Focuses on medium sized companies (market cap)
Satrix DIVI Plus ETF	22,48%	Tracks high dividend paying shares (smart beta).
Satrix RAFI 40 ETF	18,97%	Picks index stocks based on fundamental factors (smart beta).
CoreShares PrefTrax ETF	17,57%	Index of top preferences shares on the JSE (market cap).
CoreShares DivTrax ETF	17,13%	Selects index counters on consistent dividend paying shares (smart beta).
<i>Source: etfSA.co.za (30/12/2016).</i>		

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