

DB X-Trackers DJ Eurostoxx 50 Index Exchange Traded Fund (ETF)

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Background

In recent times confidence about the survival of the European Monetary System and its collective mechanisms for trade and currency agreements between member countries has improved. Behind this increased optimism are the recent steps taken by European Union member Governments to: fund the European Stability Mechanism; to support the illiquid debt instruments of many weaker member countries; and increased powers given to the European Central Bank (ECB) to monitor, regulate and support the European banking system.

It is too early to discern if these measures will have lasting success, but they have improved current sentiment towards investment in the Eurozone and in the European equity markets. Helping to make a case for investment in European equities are the following:

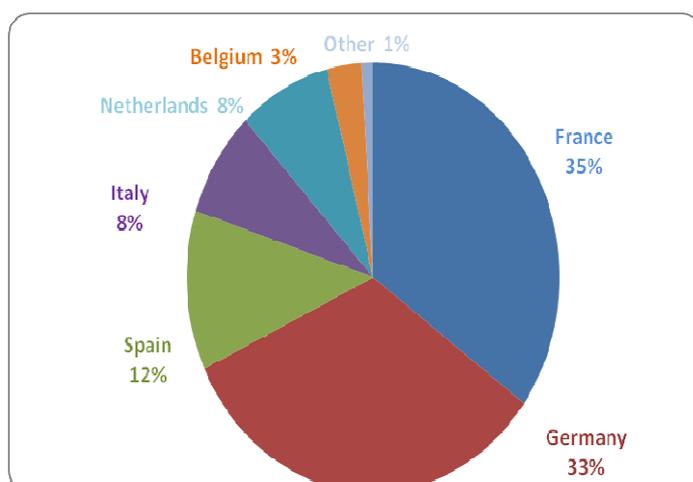
- Broad European stockmarket indices are up by some 10%-13% since June this year.
- The valuations of most major European shares (P/E values, etc.) are at levels not seen since the last major period of uncertainty for Europe, namely the fall of the Berlin Wall in the late-1980s. If the major European companies' valuation ratios recover to more normal levels, there is considerable upside for the price of European shares.
- The intervention actions of the ECB and the European Governments are likely to keep interest rates in the Eurozone at historically low levels for some time to come. Accordingly, alternative investments to interest bearing assets come into focus, notably equities.
- The open market operations of the ECB will include the purchase of "toxic" assets from weaker European member countries through the injection of non-toxic assets. This action, now known as "quantitative easing" (QE), has been used with some success in the USA and the UK. The QE programmes support equity markets by pumping new liquidity into the financial system.

The DB X-Tracker DJ Eurostoxx 50 ETF

One way of investing in European equities is through the above ETF which is listed on the JSE. It passively tracks the Dow Jones Euro STOXX 50 index, which is a market capitalisation index covering 50 of the most liquid blue chip stocks from countries within the Eurozone.

Top 10 Holdings					
DB X-Tracker Eurostoxx 50 ETF					
#	Name	% of portfolio	#	Name	% of portfolio
1.	Total SA	5,87	6.	Bayer AG	3,78
2.	Sanofi	5,47	7.	SAP AG	3,49
3.	Siemens AG	4,42	8.	Anheuser-Busch InBev NV	3,37
4.	BASF SE	4,13	9.	Eni SpA	3,12
5.	Banco Santander SA	3,92	10.	Unilever NV	2,96

DB X-Tracker Eurostoxx 50 Country Allocations



The DB X-Tracker Eurostoxx 50 ETF includes shares listed in 8 European countries, with France (35%) and Germany (33%) being the dominant contributors. The Top 10 holdings are shown above. Other companies in the index include: Daimler Benz, Allianz, BMW, BNP Paribas, Telefonika and Volkswagen.

Many European companies benefit from depreciation of the Euro currency which makes their products very competitive in world export markets. Conversely, because most imports are sourced from within the Eurozone, priced in Euros, the negative impact of higher import costs, arising from currency depreciation, is typically not significant.

The DB X-Tracker Eurostoxx 50 ETF is classified as an "inward investment" for South African exchange control purposes. This means that local individual and corporate investors can invest as much as they want in such ETFs, as they are rand-denominated investments and there is no impact on their foreign exchange allowances or the need to get tax clearance, etc. For institutional investors, like retirement and pension funds, the prudential investment limits that apply to foreign investments are still applicable.

The DB X-Tracker Eurostoxx 50 ETF has a Total Expense Ratio of 1,00% (plus VAT) per annum. Whilst higher than the TERs applicable for domestic ETFs, this is still competitive with, for instance, Unit Trusts providing foreign exposure, which have an average TER of 2,12% per year (ASISA, Quarterly Unit Trust Survey – June 2012).

The DB X-Tracker ETFs are all registered Collective Investment Schemes in South Africa, so FSPs with 1:14 Licenses can provide advice and other intermediary services on these products.

The DB X-Tracker Eurostoxx 50 ETF is a pure rand hedge, as it gives direct exposure, at very competitive fees, to a foreign basket of shares. The latent signs of rand currency softness is currently focussing attention on rand hedge investments. The DBX Tracker EuroStoxx 50 ETF has shown excellent returns in recent months.

Total Returns (% change with dividends reinvested)				
	1 Month	3 Months	6 Months	1 Year
FTSE/JSE All Share Index	2,36%	10,59%	9,65%	20,82%
DB X-Tracker Eurostoxx 50 ETF	(0,18%)	21,64%	15,59%	11,67%

Source: etfSA/Profile Performance Survey (12/10/2012).

The DB X-Tracker Eurostoxx 50 ETFs can be purchased and sold through any JSE member stockbroker or through specialised investment platforms, such as the etfSA Investor Scheme® (www.etfSA.co.za).

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