

Investing in Platinum Through Exchange Traded Notes (ETNs)

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For investors looking to invest in the platinum price on world markets, the two ETNs listed on the JSE offer a prime means of exposure. These two products are: the **Standard Bank Platinum-Linker ETN** and the **Absa Capital NewWave Platinum ETN**.

Investing directly in platinum markets through ETNs is worth considering because:

- There is no exposure in these products to platinum mines, which can be significantly affected by factors largely outside the control of the investor, including labour issues, strikes, mine accidents, regulatory changes and management decisions.
- The markets for trading directly in platinum metal have developed substantially in recent times. It is estimated that some 25% of all trade in platinum markets is now investor demand channelled through Exchange Traded Products.
- The platinum metal market is liquid and increasingly reflects current market sentiment towards the platinum investment market.
- ETNs listed on the JSE are "inward investments" for exchange control purposes, which means that retail investors can invest without any restrictions applying to exchange controls and foreign allowance limits (for institutional investors the foreign "prudential" limits still apply).
- ETNs incorporate the obligation by the issuer of the note to deliver the full return of the asset or index being tracked. This means that very little tracking error is incurred.
- The investors in ETNs must take into account the creditworthiness of the issuer of the ETN, who has to deliver on the tracking obligation.

Pertinent details of the two ETNs listed on the JSE are:

	Standard Bank Platinum-Linker ETN	Absa Capital NewWave Platinum ETN
JSE Share Code	SBAPLI	NWPLT
Total Expense Ratio (TER)	0,50%	0,40%
Exposure	Platinum futures price	Platinum spot price
Exposure per ETN	1/100 th oz of platinum	0,00884/oz of platinum
Market Cap of ETNs in issue	R239,8 million	R184,9 million
Current Price/ETN	R119,80	R141,30
Credit Ratings	A2 (Moody's) AA(Fitch)	AA2 (Moody's) AA+ (Fitch)
<i>Source: Issuer's Fact Sheets etfSA.co.za</i>		

The key difference between the NewWave and Standard Bank Platinum ETN is that the NewWave product provides exposure to the spot (cash) price of platinum, whereas the Standard Bank Platinum-Linker ETN tracks the futures price of platinum. The percentage price change on these two exposures to platinum is unlikely to differ materially over time. However, the cost of “rolling” from one futures contract to another, which takes place every three months, can result in a negative roll yield as the issuer moves from a current platinum future contract to a likely more expensive next futures contract.

In the current circumstances, with very low interest rates in global markets, the “contango” earned from the interest carry on a futures contract, might not offset the negative roll-over yield which might occur in futures contracts. This could provide a current advantage for the NewWave Platinum ETN, which is supported by spot market platinum contracts and not futures contracts.

The NewWave and Platinum-Linker ETNs can be purchased through JSE member stockbrokers, or through specialised ETF/ETN platforms such as the etfSA Investor Scheme®

For more information, please call Mike Brown, contact details below.

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