

The Do's and Don'ts of Investment Success

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Wealth Management
Investment Seminar
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The Home of Exchange Traded Funds®



The Home of Retirement Funds

It's tough to make predictions
especially about the future!



All-Weather Investment Strategies



1. Diversification



- **Asset classes**
 - Equities, Bonds, Property, Commodities, etc.
- **Geographic**
 - Local – Global; Developed Markets – Emerging Markets; Specific countries; Specific currencies; Different economic cycles, etc.
- **Industries**
 - Resources; Financial; Industrial; Consumer; Utilities; Telecomms, Technology, etc.

But that's not all...

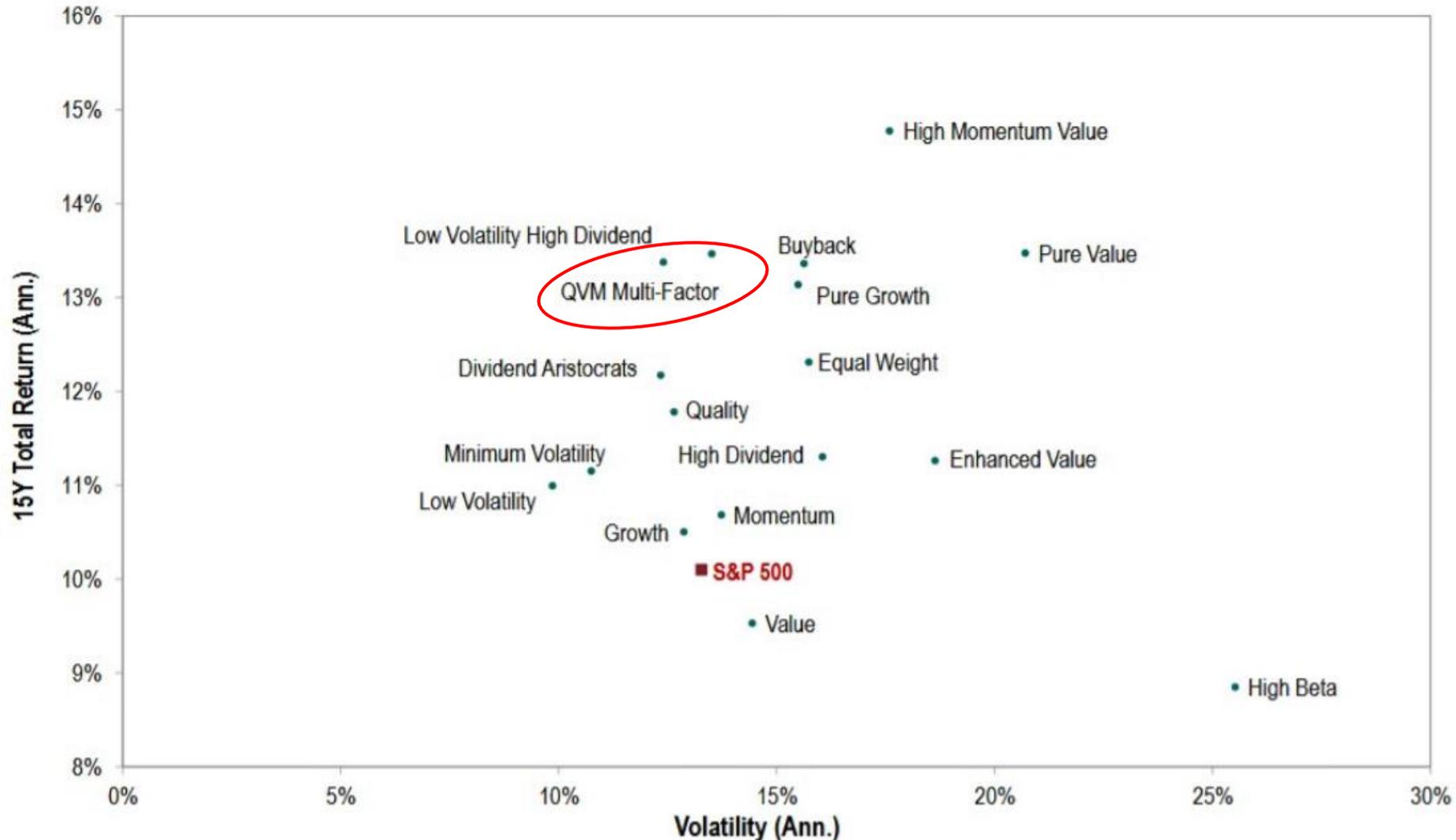
1. Diversification



Investment **Style / Strategy** – “smart” beta

- **Factors** – alpha-generating
 - Value; Momentum; Quality; Size (small caps); Low Volatility; Dividends, etc.
- **Themes** – desired exposure
 - Shari’ah-compliant; ESG; Ethical investments, etc.

1. Diversification – factors



15 year risk and return – absolute (US). Data as of 31/3/2018.

Source: S&P Dow Jones Indices LLC and/or its affiliates. Illustrative purposes only.

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2. Dividend Strategies



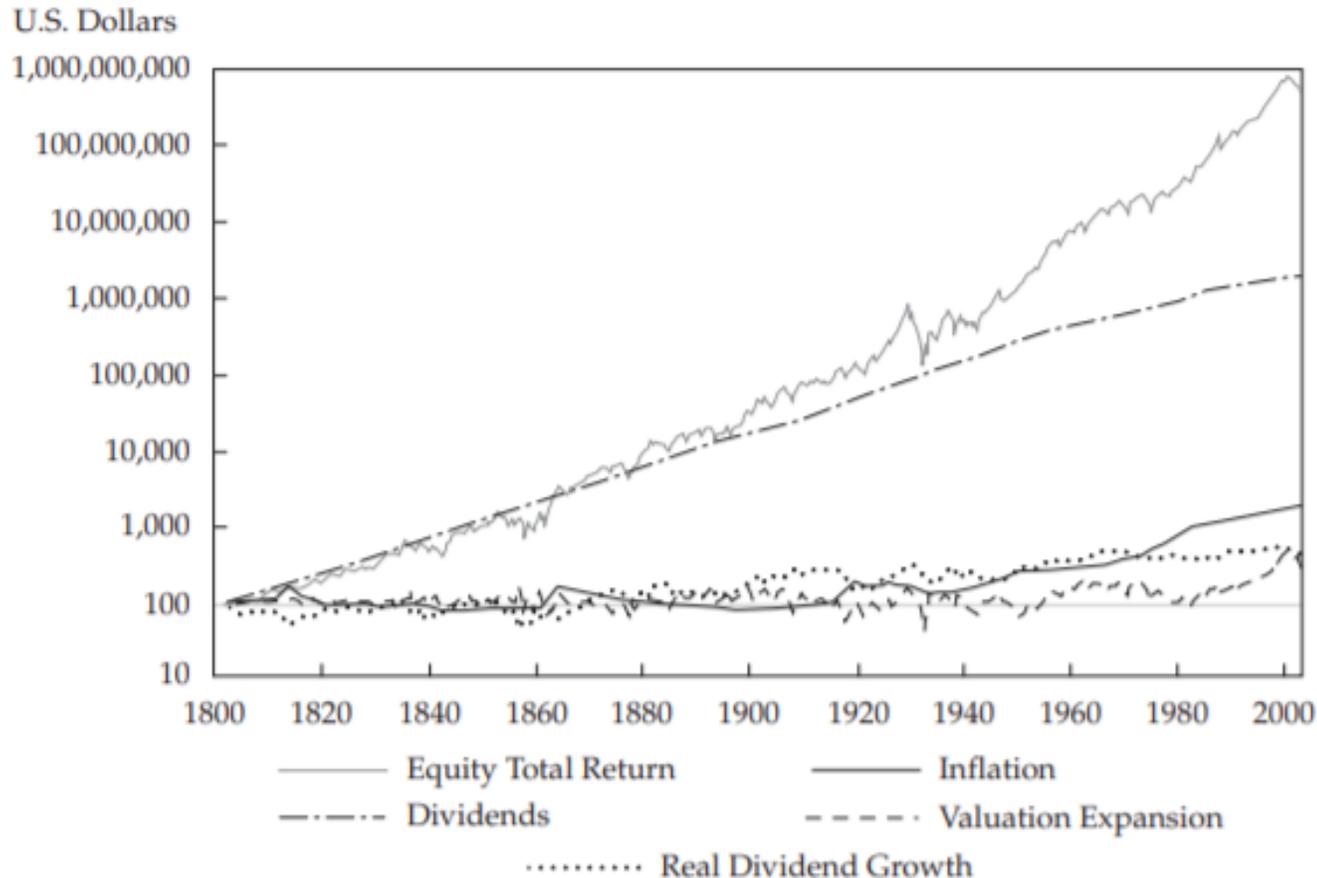
*"There are only two numbers
you can trust in financial
statements:*

*the page numbers, and
the **dividend***

2. Dividend Strategies



- Dividends **dominate** returns



200 year total return on US equities = **7.9%** p.a.
Return from dividends = **5.0%** p.a.
Return from inflation = 1.4% p.a.
Return from real growth in dividends = 0.8% p.a.
Return from changes in valuation = 0.6% p.a.

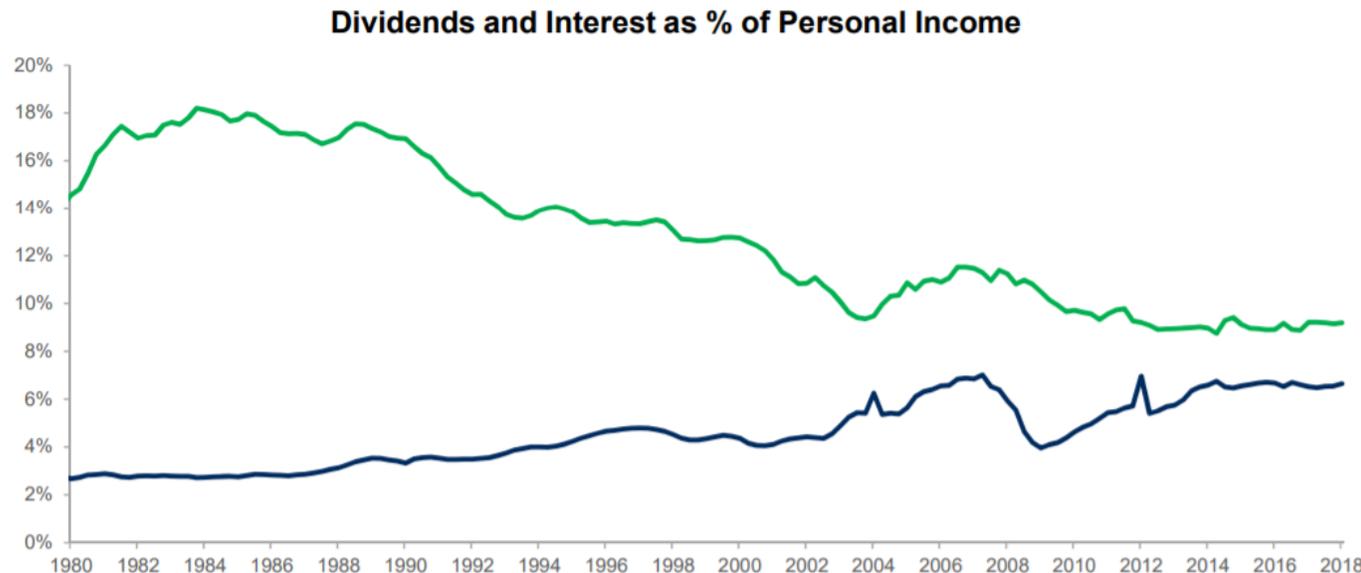
“Dividends and the Three Dwarfs”, Robert D. Arnott
Growth of \$100 invested in US Equities 1802-2002
Sources: Based on Schwert (1990) data for 1801-1870, a blend of Schwert and Siegel (2002) data for 1871-1925 and S&P 500 Index data since 1926

2. Dividend Strategies



- **Tax** considerations

- **Dividends** are a growing share of personal income (from 2.7% in 1981 to 6.5% in 2018), to the detriment of **interest** income (declined from 15.5% to 9.2% over same period)

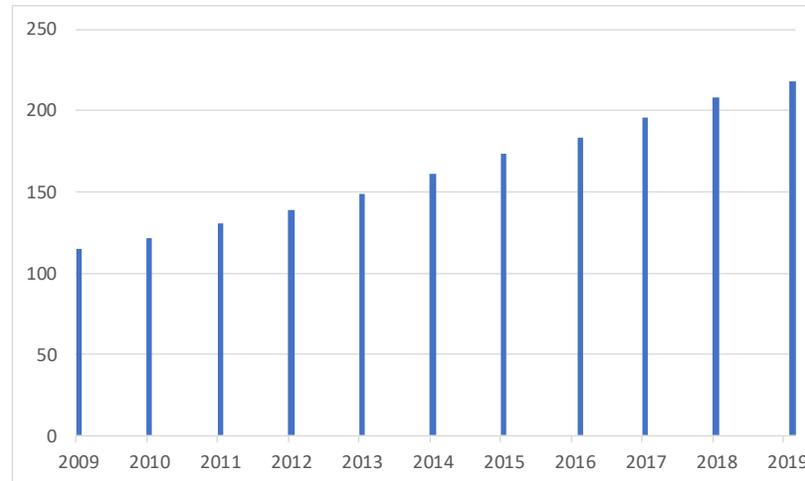
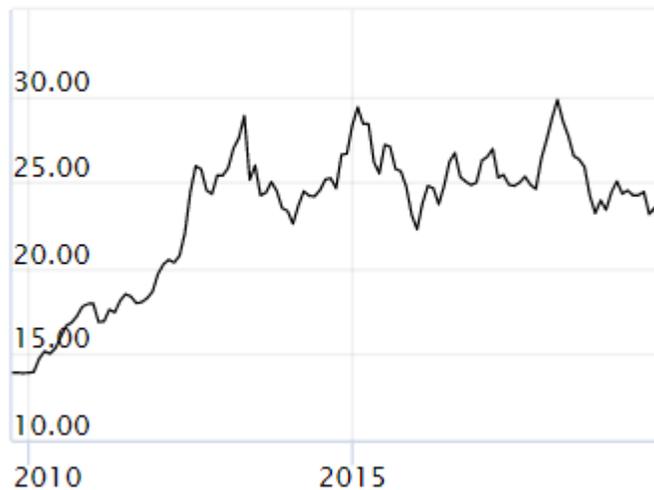


Source: Bureau of Economic Analysis
Data as of 31 December 2018

2. Dividend Strategies



- Listed Property / REITs?
 - Differentiate between **volatility** in share price, and **consistency** of dividends paid



Growthpoint Property (GRT) – share price and annual dividends, 10 years to Oct-19

Source: Profile Data

2. Dividend Strategies



- Can be used for **low** / **medium** / **high** risk
 - **Low** risk:
 - **Preference** shares – lowest capital risk / price volatility
 - **Medium** risk:
 - High **dividend** shares – medium capital risk / price volatility
 - **High** risk:
 - **Property** shares – highest capital risk / price volatility

3. Differentiation



- Different investment accounts with different strategies for different purposes
 - Time horizon
 - Investment objective
 - “Wrapper” pros and cons
- Design asset allocation consistent with requirements

Next level!



- Drip-feed / Dollar-cost averaging
- Dogma
- Dead wood
- Due Diligence
- Direction (ESG / Impact investing / Invest with Purpose)
- Don't fiddle!

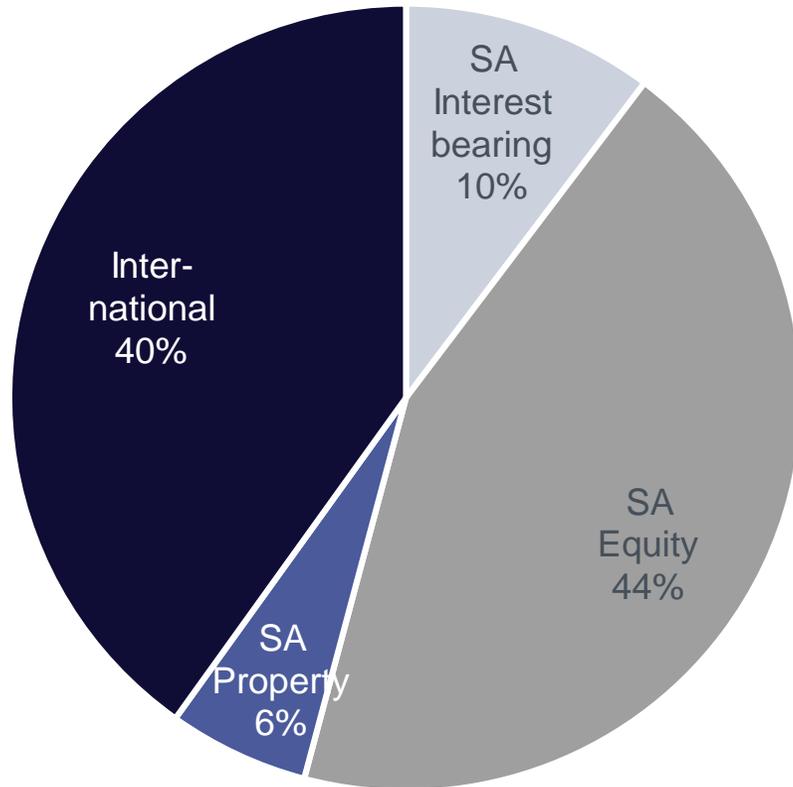
3D – in practise

- etfSA Retirement Annuity Fund – **five** portfolios to suit **different investor needs**, incorporating
 - ▣ Diversification
 - ▣ Dividend strategies
 - ▣ Differentiation

etfSA Retirement Annuity Fund

- Wealth **Enhancer** Portfolio – above-average returns over long term (>10 years), with a high tolerance for risk
- Wealth **Builder** Portfolio – broadly diversified exposure to asset classes, investment styles and geographies
- Wealth **Conservator** Portfolio – prioritise income generation from different sources – interest, dividends and other distributions, both domestic and global
- Wealth **Protector** Portfolio – a cash-only investment of highest credit quality for risk averse members, no risk of a capital loss
- Wealth **Default** Portfolio – static strategic asset allocation into a limited range of vanilla asset class ETPs, to comply with Section 36 of the Pension Funds Act

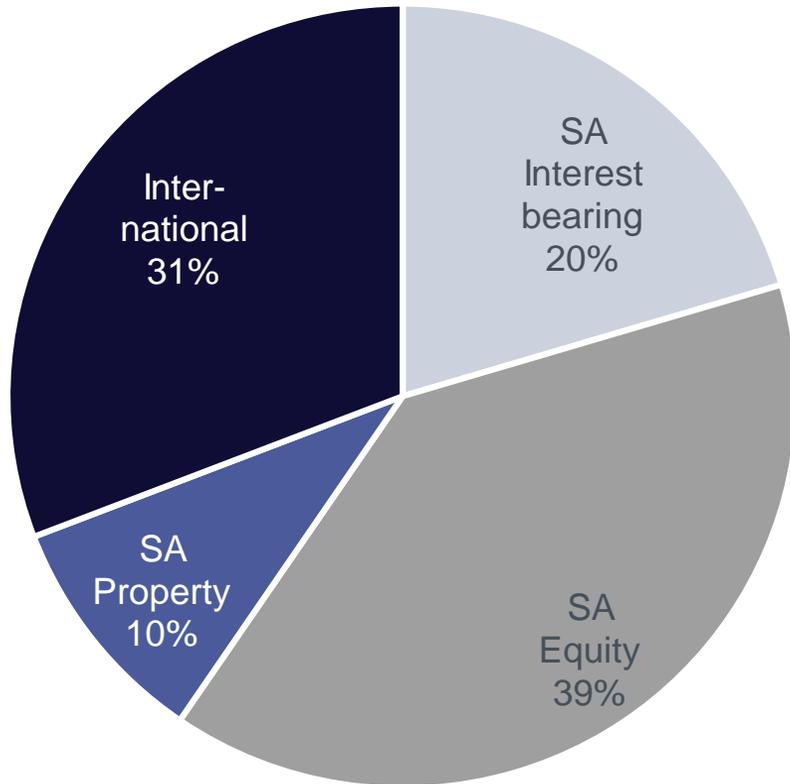
etfSA RA Wealth Enhancer



As at 30-Sep-19

Asset class	Reg. 28 Category	Description	Weight (%)		
SA Interest bearing	Cash (max 100%)	Cash	5.4		
	Debt (max 75%)	NewFunds GOVI ETF	4.8		
SA Equity	Equities (max 75%)	CoreShares SA Top50 ETF	9.7		
		Satrix FINI15 ETF	4.7		
		Satrix INDI25 ETF	4.6		
		Satrix RESI10 ETF	4.9		
		Ashburton Mid Cap ETF	6.0		
		NewFunds Equity Momentum ETF	6.0		
		NewFunds Tgt Vol High Growth Equity ETF	3.0		
		Coreshares Dividend Aristocrats ETF	5.0		
		SA Property	Immovable Property (max 25%)	Stanlib Property ETF	2.8
				Proptrax Ten ETF	3.0
Offshore	Foreign exposure (max 30% + 10% in Africa)	Sygnia Itrix S&P 500 ETF	3.1		
		iShares MSCI World ESG Enhanced ETF	3.3		
		CoreShares Global Dividend Aristocrats ETF	3.1		
		Satrix MSCI Emerging Market ETF	4.0		
		iShares MSCI China ETF	4.5		
		iShares MSCI India ETF	4.5		
		AMI Africa ex SA Big50 ETF	2.9		
		iShares JP Morgan EM Bond ETF	2.3		
Commodities	Physical (max 10%)	iShares Global Infrastructure ETF	2.6		
		NewGold ETF	4.3		
		NewPalladium ETF	2.8		
		NewPlatinum ETF	2.7		

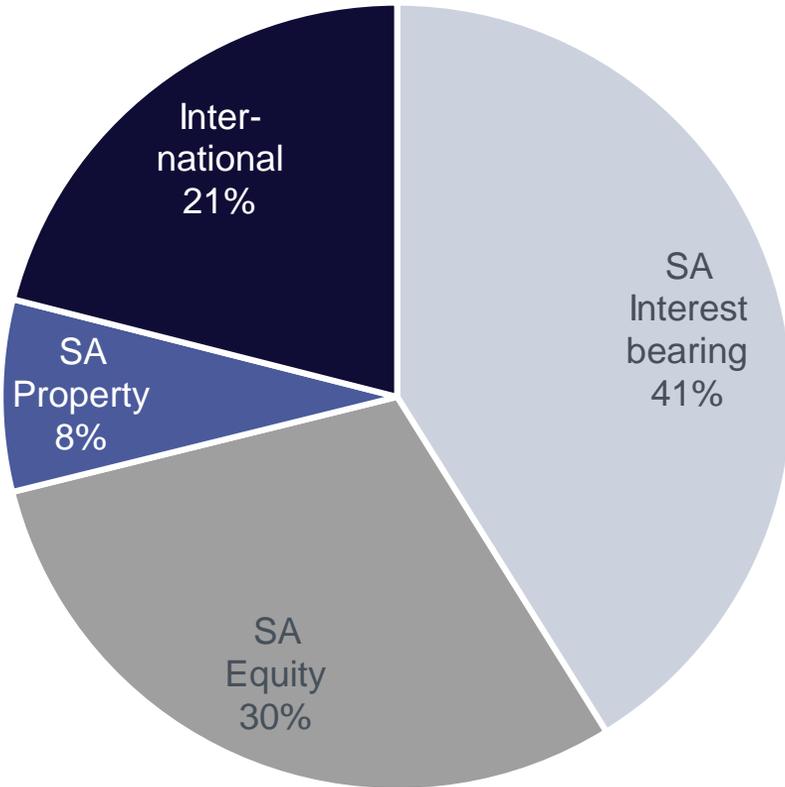
etfSA RA Wealth Builder



As at 30-Sep-19

Asset class	Reg. 28 Category	Description	Weight (%)		
SA Interest bearing	Cash (max 100%)	Cash	10.5		
	Debt (max 75%)	NewFunds GOVI ETF	5.0		
		CoreShares Preftrax ETF	4.9		
SA Equity	Equities (max 75%)	CoreShares SA Top50 ETF	9.9		
		Satrix INDI25 ETF	5.6		
		Ashburton Mid Cap ETF	5.9		
		Satrix Quality ETF	3.0		
		Satrix RAFI40 ETF	5.0		
		NewFunds Tgt Vol High Growth Equity ETF	3.9		
		Coreshares Dividend Aristocrats ETF	2.9		
		Satrix DIVI ETF	2.9		
		SA Property	Immovable Property (max 25%)	Stanlib Property ETF	4.9
				Proptrax Ten ETF	4.7
Offshore	Foreign exposure (max 30% + 10% in Africa)	Satrix MSCI World ETF	8.2		
		Sygnia Itrix S&P 500 ETF	5.1		
		CoreShares Global Dividend Aristocarts ETF	4.1		
		Satrix MSCI Emerging Market ETF	3.9		
Commodities	Physical (max 10%)	DBX-Trackers MSCI China ETN	3.4		
		Standard Bank AfricaGold ETF	3.0		
		NewGold Platinum ETF	3.1		

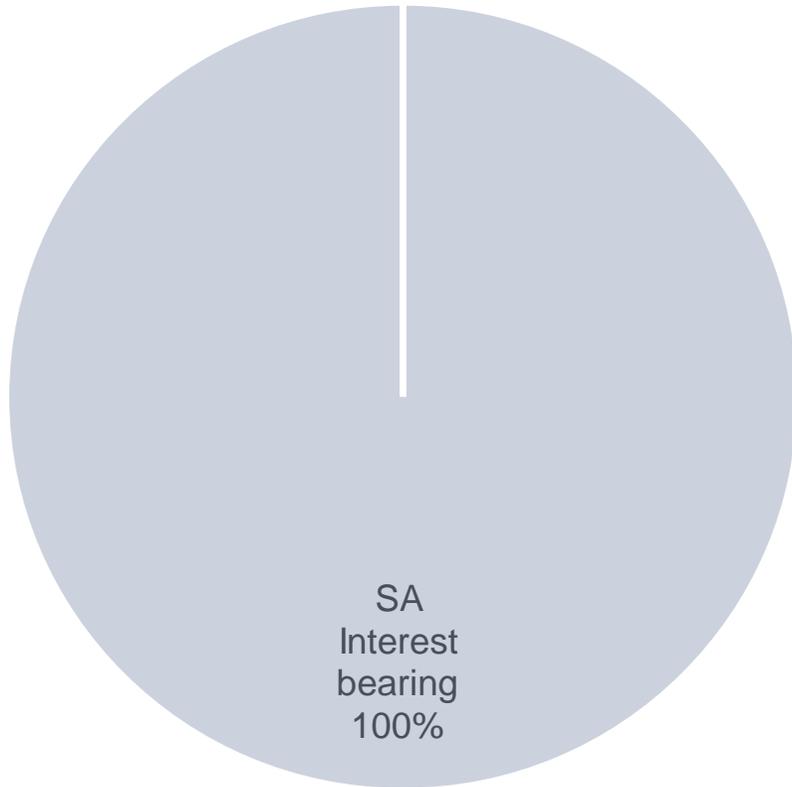
etfSA RA Wealth Conservator



As at 30-Sep-19

Asset class	Reg. 28 Category	Description	Weight (%)
SA Interest bearing	Cash (max 100%)	Cash	19.5
	Debt (max 75%)	NewFunds GOVI ETF	10.3
		CoreShares PrefTrax ETF	10.2
SA Equity	Equities (max 75%)	CoreShares SA Top50 ETF	9.9
		Satrix FINI15 ETF	4.6
		Satrix Quality ETF	4.9
		CoreShares Dividend Aristocrats ETF	4.8
		Satrix Divi+ ETF	4.8
		Satrix Property ETF	2.9
		SA Property	Immovable Property (max 25%)
Offshore	Foreign exposure (max 30% + 10% in Africa)	Proptrax Ten ETF	3.7
		Satrix MSCI World ETF	8.0
		CoreShares Global Dividend Aristocrats ETF	4.6
		Satrix MSCI Emerging Market ETF	3.4
		iShares Preferred & Income Securities ETF	4.4

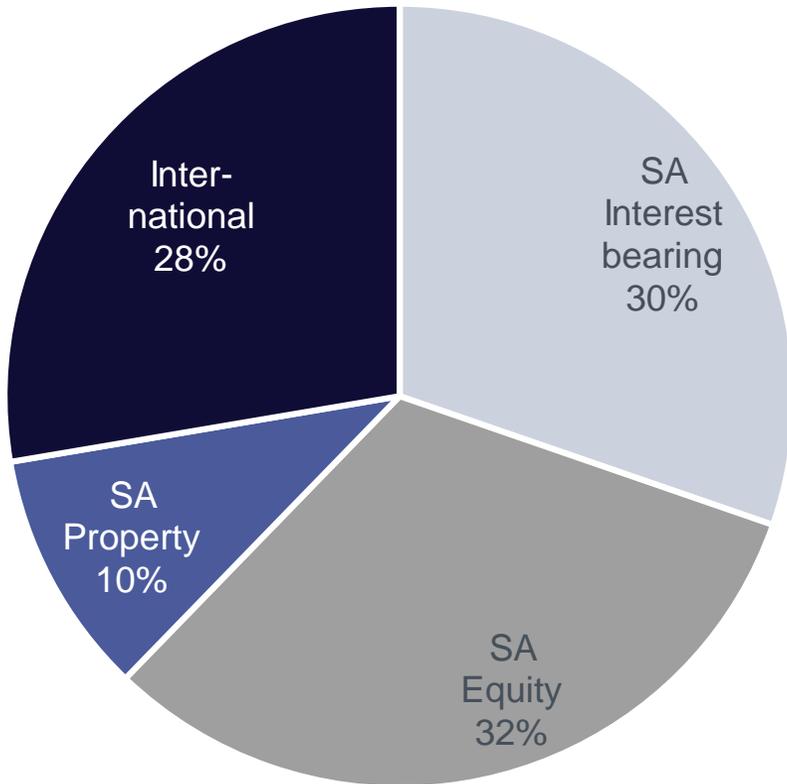
etfSA RA Wealth Protector



Asset class	Reg. 28 Category	Bank and Call Deposits	Weight (%)
SA Interest bearing	Cash (max 100%)	Nedbank	24.8
		Standard Bank	20.0
		Firststrand Bank	18.7
		ABSA	16.8
		Investec	8.4
		Nedgroup CIS	3.1
		Southchester	2.7
		Bank of China	2.1
		Other	3.2

As at 30-Sep-19

etfSA RA Wealth Default



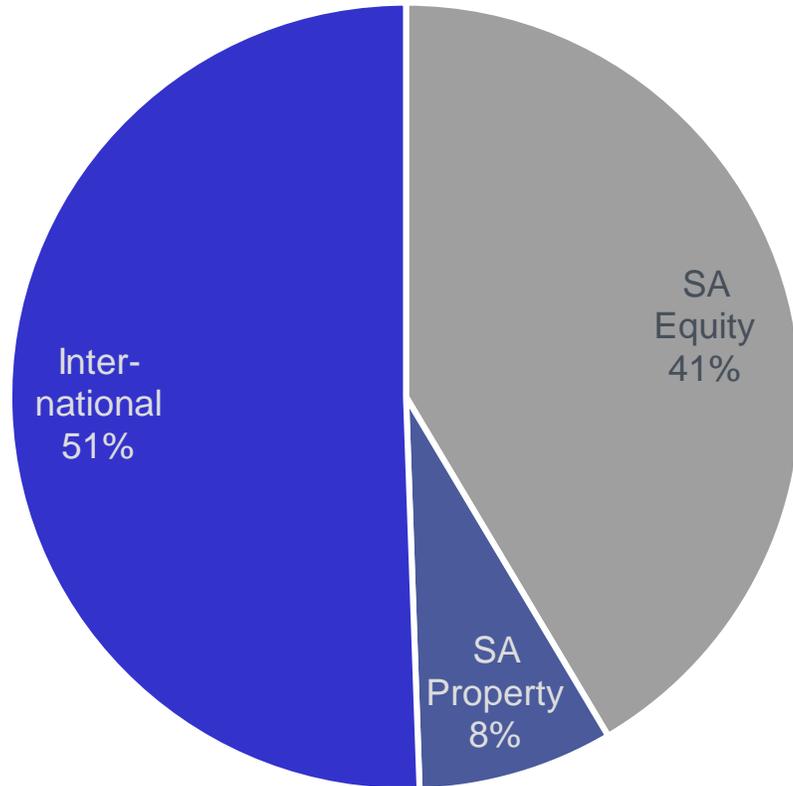
As at 30-Sep-19

Asset class	Reg. 28 Category	Description	Weight (%)
SA Interest bearing	Cash (max 100%)	Cash	10.5
	Debt (max 75%)	NewFunds GOVI ETF	19.8
SA Equity	Equities (max 75%)	CoreShares SA Top50 ETF	31.9
SA Property	Immovable Property (max 25%)	CoreShares Proptrax SAPY ETF	10.1
Offshore	Foreign exposure (max 30% + 10% in Africa)	Satrix MSCI World ETF	27.7

etfSA Living Annuity

- Same five portfolios as for the RA Fund
- One additional portfolio – Wealth Maximiser – not Reg. 28 compliant (does not need to be)
- Can accommodate personalised portfolios for investments of > R5m, e.g. 100% offshore

etfSA LA Wealth Maximiser



As at 30-Sep-19

Asset class	Description	Weight (%)
SA Equity	Coeshares SA Top50 ETF	6.9
	Satrix FINI ETF	3.9
	Satrix INDI ETF	4.8
	Ashburton Mid Cap ETF	6.9
	Coeshares Sci-Beta MF ETF	3.0
	NewFunds Tgt Vol High Growth Equity ETF	5.0
	NewFunds Equity Momentum ETF	6.1
	Coeshares Dividend Aristocrats ETF	4.9
SA Property	Satrix Property ETF	4.0
	Proprax Ten ETF	3.9
Offshore	Satrix MSCI World ETF	7.3
	Sygnia Itrix S&P 500 ETF	3.1
	CoreShares Global Dividend Aristocarts ETF	8.2
	CoreShares Global Property ETF	4.3
	Satrix MSCI Emerging Market ETF	6.0
	DBX-Trackers MSCI China ETN	5.9
	Firststrand USD Custodial Certificates	3.7
	AMI Africa ex-SA Big50 ETF	6.0
Commodities	Standard Bank AfricaPlatinum ETF	2.9
	NewGold Palladium ETN	3.2

Invest with the
“ETF specialists”

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