

### HIGHER EXPOSURE TO RAND-HEDGE COMPANIES

Satrix has launched an ETF that provides higher exposure to foreign companies that are dual-listed (shares that are listed on more than one stock exchange). Satrix JSE Global Equity ETF (**JSE code: STXJGE**) listed on the JSE on the 12<sup>th</sup> March 2024. The Satrix JSE Global Equity ETF tracks the FTSE/JSE Global Investor Index (J501) and is suitable for investors who would like to supplement their local portfolio exposures, with a higher exposure to Rand-hedge companies.

#### Summary

- Allows investors to capture supplementary offshore exposure from locally listed shares in one ETF
- Low TER of 0.15% (excl. VAT)
- Targets the 50 largest JSE-listed companies, including dual-listed companies (listed on two or more exchanges)
- Uses global free-float metrics, offering higher exposure to dual-listed companies, and thereby increased Rand-hedging
- Complementary: Can be used as a satellite fund in conjunction with a core portfolio

#### The details of the new product are as follows:

| ETP Name                     | JSE Code | MANCO  | Listing Date  | ISIN         | Exposure    |
|------------------------------|----------|--------|---------------|--------------|-------------|
| Satrix JSE Global Equity ETF | STXJSE   | Satrix | 12 March 2024 | ZAE000331708 | SA Equities |

### OVERVIEW

The FTSE/JSE Global Investor Index (J501) provides exposure to 50 of the largest locally listed companies on the JSE that is weighted by global investable market capitalisation, providing a higher offshore exposure of dual-listed companies. Single company exposures are capped at 10%, meaning that no one company can have a weighting of more than 10% in the Index.

The harmonisation of the FTSE/JSE All Share (ALSI) and Shareholder Weighted (SWIX) Index methodologies changed the way certain dual-listed companies were weighted in their respective methodologies. Prior to the harmonisation, these methodologies were not consistent with the way in which all foreign listed companies were weighted, resulting in 'grandfathered' dual-listed companies being upweighted in the ALSI Index, relative to other foreign companies. Due to corporate actions and Index restructuring changing over time, this upweight of foreign companies in the ALSI Index saw more of an alignment to the SWIX Index methodology over time, which was reason enough for the harmonisation of these two Indexes to take place. The harmonisation process has standardised this treatment, causing dual-listed companies to be aligned with the SWIX Index methodology, down-weighting dual-listed companies. This conversion better represents South African stocks by only including shares in companies that are registered on the South African share register, maintained by Strate (the electronic settlement system which facilitates the electronic clearing and settlement for all transactions conducted on the JSE) and therefore weighted in accordance with their available free float on this register, rather than their global free-float.

The reason why the Satrix JSE Global Equity ETF (STXJGE) may be considered as a complementary satellite addition to a portfolio, is because the FTSE/JSE Global Investor Index is now largely differentiated from other South African Indices available, post the harmonisation. With higher offshore exposure through dual-listed companies, the STXJGE ETF offers a higher Rand-hedge exposure in comparison to local counterparts. Investments into the STXJGE ETF are made in South African Rands.

Further details on the ETF are listed below:

- Income distribution: it is a distributing ETF that pays distributions quarterly
- Is allowed for investments in Tax Free Savings Accounts (TFSA)
- This ETF is suitable for investors with a medium-to-long term view and the risk profile is high
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## Research News: Satrix JSE Global Equity ETF

March 2024

### FUND ANALYSIS

The composition of the **Satrix JSE Global Equity ETF (STXJGE)** looks significantly different in comparison to other local counterparts. The STXJGE consists of the largest 50 companies listed on the JSE, with a capping of 10%; similarly, the **10X S&P SA Top 50 ETF (CTOP50)** has the same strategy with the same 10% capping limit. The difference being, the upweighting of dual-listed companies of the STXJGE, which the CTOP50 ETF does not intentionally apply. For this reason, the CTOP50 ETF has been included in this analysis for comparative purposes only.

To further identify these differences, the **Satrix Capped All Share Index ETF (STXCAP)**, which includes the entire JSE-listed all-share universe, with a capping of 10%, has also been included in this analysis for comparative purposes only. Please take note that this analysis is done **post the harmonisation**, which was implemented on 18 March 2024. This means that the STXCAP ETF, which tracks the FTSE/JSE Capped All Share Index, has now migrated to the SWIX Methodology by default. The CTOP50 ETF tracks the S&P South Africa 50 Index, so this falls out of the FTSE/JSE Index harmonisation process and therefore the underlying holdings are not impacted.

Looking at the Top 10 Holdings, as at 18 March 2024, seven out of the 10 top holdings in the STXJGE ETF consists of dual-listed companies, representing 49% of the Index. Glencore (GLN), British American Tobacco (BTI), Richemont (CFR), and BHP Group (BHG) are all capped at 10%, and Naspers (NPN) and Prosus (PRX) are jointly capped at 10%. This differs in comparison to the CTOP50 ETF and the STXCAP ETF, which only consist of three and four dual-listed companies, respectively, out of the Top 10 holdings in the STXJGE ETF. The concentration of these dual-listed companies is also seen in these Top 10 holdings, which makes up almost 70% of the STXJGE ETF, in comparison to the CTOP50 ETF and the STXCAP ETF, which makes up just over a third of these Top 10 STXJGE ETF holdings (see table below).

Interestingly, The Satrix Top 40 ETF (STX40), which tracks the FTSE/JSE Top 40 Index (40 largest listed companies on the JSE), makes up about 44% of the STXJGE ETF Top 10 holdings; of which approximately 21% currently lies in the dual-listed companies. Naspers (NPN) currently has the highest weighting in the STX40 ETF because it has the largest weighting in the South African share register, in accordance with the SWIX methodology. It can also be seen that although the STX40 ETF does not apply a capping methodology, the largest weighting of 12% is only marginally higher than the capping level of 10%.

| Top 10 Holdings |                                |                         |                |            |            |            |            |
|-----------------|--------------------------------|-------------------------|----------------|------------|------------|------------|------------|
| Code            | Company Name                   | Industry Classification | Listing        | STXJGE     | CTOP50     | STXCAP     | STX40      |
| GLN             | Glencore Xstrata Plc           | Materials               | Dual Listed    | 10%        | -          | -          | 1%         |
| BTI             | British American Tobacco Plc   | Consumer Staples        | Dual Listed    | 10%        | 3%         | 3%         | 3%         |
| CFR             | Compagnie Financière Richemont | Consumer Discretionary  | Dual Listed    | 10%        | 4%         | 3%         | 4%         |
| BHG             | BHP GROUP LTD                  | Materials               | Dual Listed    | 10%        | -          | -          | 2%         |
| ANH             | ANHEUSER-BUSCH INBEV SA/NV     | Consumer Staples        | Dual Listed    | 8%         | -          | -          | 2%         |
| PRX             | Prosus NV                      | Information Technology  | Dual Listed    | 6%         | -          | 3%         | 4%         |
| AGL             | Anglo American Plc             | Materials               | Dual Listed    | 5%         | 10%        | 3%         | 4%         |
| NPN             | Naspers Ltd - N Shares         | Information Technology  | Primary Listed | 4%         | 8%         | 9%         | 12%        |
| FSR             | Firststrand Ltd                | Financials              | Primary Listed | 3%         | 7%         | 6%         | 7%         |
| SBK             | Standard Bank Group Ltd        | Financials              | Primary Listed | 2%         | 5%         | 4%         | 5%         |
| <b>Total</b>    |                                |                         |                | <b>69%</b> | <b>36%</b> | <b>32%</b> | <b>44%</b> |

Source: Satrix, 10X, etfSA (18 March 2024)

## Research News: Satrix JSE Global Equity ETF

March 2024

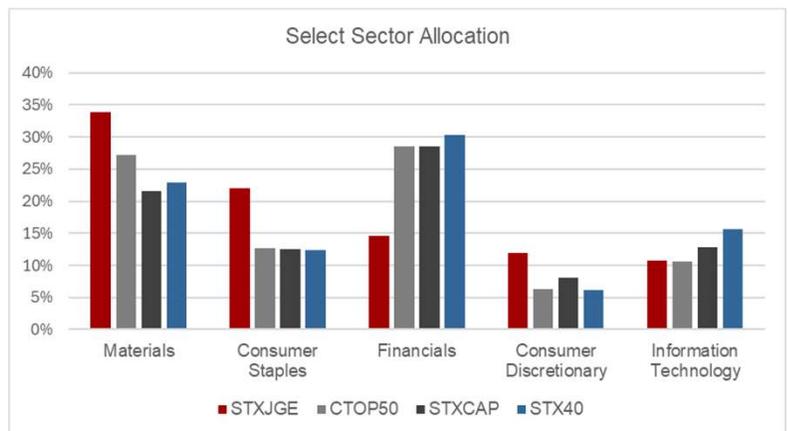
### FUND ANALYSIS (CONTINUED)

Even though the STXJGE ETF and the CTOP50 ETF share the same top 50 JSE-listed universe and apply a 10% capping limit, their exposures differ due to their different weighting methodologies. The CTOP50 ETF tracks the S&P South Africa 50 Index, which takes the largest 50 companies when ranked by their float-adjusted market cap. This differs to the methodology of the FTSE/JSE Global Investor Index (STXJGE), which removes restrictions based solely on the location of shares and then looks at the largest 50 companies.

Taking a closer look, the composition of the ETFs differ sectorally. Taking the top five sector allocations across all three ETFs, the STXJGE ETF currently has the largest weighting allocated towards materials (34%), followed by consumer staples (22%) and financials (15%). The CTOP50 ETF and the all-share universe of the STXCAP ETF, on the other hand, has the largest weighting towards financials (29% & 28% respectively), followed by materials (27% & 22% respectively), thereafter consumer staples (13% for the CTOP50 ETF and Information Technology (13%) for the STXCAP ETF.

The Satrix Top 40 ETF (STX40) tracks the FTSE/JSE Top 40 Index, which consists of the largest 40 companies that are ranked by their investable market value in the FTSE/JSE All-Share Index. The STX40 ETF has been included in the select sector allocation graph below, to provide perspective on how largely similar the broad-based equity blocks currently are, other than the STXJGE ETF, which is noticeably different.

Please take note that the Top 10 holdings table and the select sector allocation graphs are just a snapshot of the respective ETFs, as at 18 March 2024 and may change in accordance with their respective Index rules. Be sure to obtain the latest information from the asset respective asset managers.



Source: Satrix, 10X, etfSA (18 March 2024)

### METHODOLOGY

Understanding the investment strategy is vital to know what you will be investing in. The **STXJGE ETF** tracks the **FTSE/JSE Global Investor Index**, which consists of the largest 50 companies that are ranked and weighted by their global investable market value in the FTSE/JSE All Share Index. This method is calculated by removing any restriction applied solely based on the location of the primary listing.

By ranking the companies in accordance with their global investable market value, the JSE-listed companies that have their primary listings offshore, are upweighted. The 10% capping on constituents ensures that no one single company dominates the Index, reducing the risk of overconcentration to one stock in a portfolio.

The FTSE/JSE Global Investor Index is reviewed quarterly in March, June, September, and December. The consideration for stocks to be included or removed from the Index at each review, is designed to provide stability in the selection of the underlying constituents, while being representative of the market, based on whether they have risen or fallen in position. A security may be considered for inclusion in the Index if it rises to position 43 or above, when the eligible securities are ranked by global investable market capitalisation. Similarly, a security will be removed from the Index at each review if it falls to position 58 or below, when the eligible securities are ranked by global investable market capitalisation.

Source: FTSE, Satrix (19 March 2024)

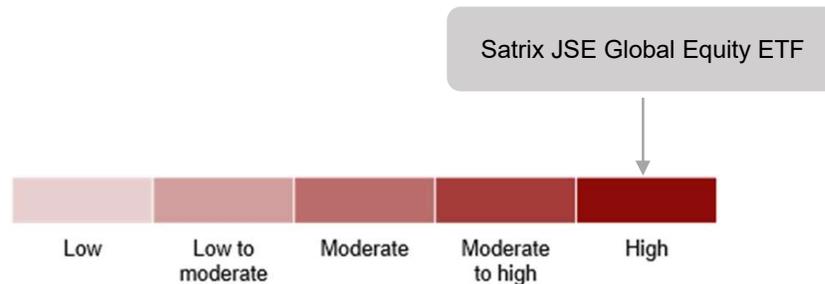
### RISK PROFILE

The Satrix JSE Global Equity ETF (STXJGE) offers exposure to the 50 largest companies that are listed on the JSE, based on their global market cap. This includes a greater exposure to dual-listed foreign companies. As such, investors should be mindful of the potential risks, which could indicate preference for a long-term investment horizon. etfSA classifies the risk profile of the STXJGE ETF as high. Investors should be aware of their risk appetite and should be mindful of the risks associated with investing in this ETF. Be sure to obtain the latest information and risk considerations of the ETF from the managing company.

Details on some of the risks to be aware of is as follows:

- **Concentration Risk:** The increased risk of loss due to overconcentration in securities and/or other assets from a particular issuer, market, industry, sector, asset class, or market segment is mostly mitigated in this ETF, due to the capping methodology applied.
- **Market Risk:** Market risk exists because of price changes. As the portfolio will always be exposed to markets, it is effectively exposed to market-related volatility.

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