

State of the South African Exchange Traded Product (ETP) Industry – as at 30 June 2022

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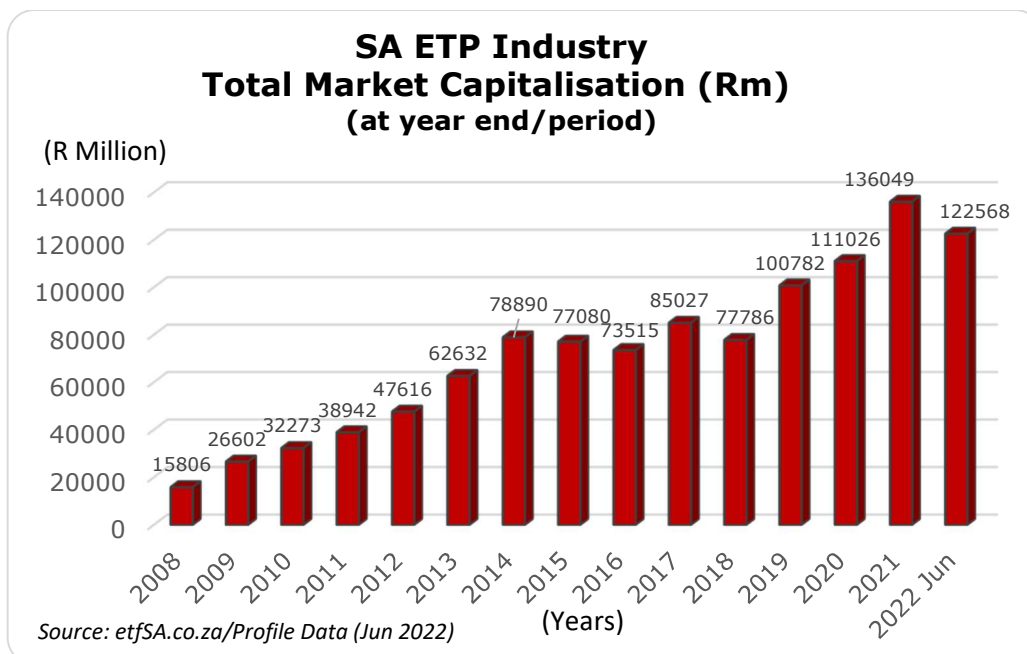
INDUSTRY OVERVIEW

The total market capitalisation of all ETFs and ETNs, listed on the JSE, at the end of June 2022, amounted to R122 567,7 million, a fall of R13 482 million, or 9,9%, on the market capitalisation of the ETP industry, at the end of 2021.

This fall in the value of the industry largely reflects the decline in global and local equity markets over the first six months of this year. For instance, the US Standard & Poors (S&P) 500 index has fallen by 20% to date in 2022, with even greater declines (by 30,5%) in the MSCI World index, over the same period.

The JSE has fared a little better, but has not been able to fully offset the global equity sell-offs, dropping by just over 10% to date in 2022.

Some 70% of the market capitalisation of ETFs/ETNs listed on the JSE, reference foreign equity, bond, property or commodity assets. Accordingly, the fall in the value of all major global markets has taken its toll on the local ETP industry.



New Capital Raised

Despite the fall in market values, there has been an increase in the net capital raised by ETP issuers through new listings or capital raised for open-ended ETP products already listed on the JSE. The total amount of new capital raised was R2 203,6 million, the great majority for Exchange Traded Funds (ETFs) (R2 134,2 million).

Table A below shows the net new capital raised, or redeemed for delisting of ETFs, by each issuing house over the first six months of 2022

Satrix Managers and Sygnia Itrix have been by far the most successful companies in attracting new capital during the past 6 months, raising R2 467,3 million and R2 385,2 million respectively.

Table A

New Capital Raised / Redeemed - South African ETP Issuing Houses		
For First Half 2022		
Issuing House		Total Capital (R million)
1.	Satrix Managers (ETFs)	2 467,3
2.	Sygnia Itrix (ETFs)	2 385,2
3.	CoreShares (ETFs)	187,8
4.	FNB (ETNs)	175,0
5.	FNB (ETFs)	135,6
6.	Cloud Atlas (ETFs)	(0,2)
7.	Absa Capital (NewWave ETNs)	(105,6)
8.	Invest (ETFs)	(1 044,2)
9.	Absa Capital (NewFunds, NewGold ETFs)	(1 997,3)
Total		2 203,6
<i>Source: etfSA.co.za Quarterly Securities in Issue and New Capital Raised Survey June 2022).</i>		

At the other end of the scale, significant sales of commodity ETFs, have seen Absa Capital redeem R1 997,3 million capital for delisting of their NewGold range of ETFs, covering gold, palladium and platinum. A similar pattern of redemptions of commodity ETFs has been experienced by Invest, which delisted R1 044,2 million capital over this period.

Table B shows the individual ETPs that raised the most new capital, or redeemed (paid out) the most capital for the first 6 months of 2022. The most new listings of ETF securities took place in foreign referenced ETFs, issued by either Satrix or Sygnia Itrix. Of interest is that the Sygnia Itrix Emerging Markets 50 ETF attracted the most new capital, despite the relatively poor performance of emerging world equity markets.

The most capital redeemed was for the gold, platinum and palladium ETFs issued by NewGold and Invest. This appears to be profit-taking by investors who have been tracking the commodity cycle.

Table B

Individual ETF/ETN Listings For First 6 Months of 2022	
ETF/ETN	Amount (R million)
Sygnia Itrix Emerging Markets 50 ETF	977,9
Satrix MSCI World ETF	875,7
Satrix S&P 500 ETF	551,8
Sygnia Itrix FTSE 100 ETF	464,5
Satrix 40 ETF	293,4
Sygnia Itrix S&P 500 ETF	271,0
Satrix Capped INDI ETF	(329,8)
Invest Palladium ETF	(997,6)
NewGold ETF	(1 041,7)
NewGold Platinum ETF	(1 149,7)

Source: etfSA.co.za Quarterly Securities in Issue and New Capital Raised Survey June 2022).

Snapshot of the SA ETP Industry as at 30 June 2022

The South African Exchange Traded Product Industry (as at 30 June 2021)						
	Issuer	Number of Products		Value (Market Cap) of Shares in Issue (Rm)		Total Market Capitalisation (Rm)
		ETFs	ETNs	ETFs	ETNs	
1.	Satrix Managers	25	-	34 671,7	-	34 671,7
2.	Sygnia Itrix	14	-	30 302,9	-	30 302,9
3.	Absa Capital	18	5	26 938,0	1 550,3	28 488,3
4.	FNB/FirstRand	8	42	5 945,5	2 628,7	8 574,2
5.	Invest	13	-	6 619,6	-	6 619,6
6.	CoreShares	9	-	5 322,9	-	5 322,9
7.	UBS	-	30	-	4 978,1	4 978,1
8.	Investec	-	2	-	2 357,8	2 357,8
9.	Standard Bank	-	2	-	1 246,5	1 246,5
10.	Cloud Atlas	2	-	5,7	-	5,7
Totals		89	81	109 806,3	12 761,4	122 567,7
Source: etfSA.co.za / JSE / Profile Data (30/6/2022).						

Satrix Managers – remains the largest issuer of ETFs in South Africa, with a total market capitalisation of R34,7 billion and with 25 ETF products in issue covering global equity markets, global bonds, South African equities and bonds, as well as thematic ETFs.

The latest ETF issued by Satrix, the Satrix Healthcare Innovation Feeder ETF, was listed on 26 May 2022. This product tracks the STOXX Global Breakthrough Healthcare Index, which covers global companies focussing on healthcare innovation. Over 70% of the companies in the index are based in the United States, but there is a good selection of other companies from emerging as well as developed countries covered by this ETF.

Sygnia Itrix – has consolidated its position, ahead of Absa Capital as the second largest issuer of ETFs, with a total market capitalisation of R30,3 billion, covered by 14 ETFs.

Sygnia Itrix listed the latest of its themed ETFs on 20 April 2022, the Sygnia Itrix New China Sectors ETF. This ETF tracks companies domiciled in China or Hong Kong that focus on services and retail consumer industries. This objective varies from the usual focus on high-tech companies listed in China. The S&P New China Sectors ETF attracted capital of R171,5 million during the listing process and adds an interesting option for diversified portfolios.

FNB – First National Bank now has the most ETFs/ETNs listed on the JSE, a total of 50 products, 42 of which are ETNs.

The Exchange Traded Note range includes single stock ETNs issued on a variety of US companies and offers one of the optimal ways of accessing investment in such US companies with the convenience of trading through the JSE, without any foreign exchange control restrictions.

More recently, FNB have also included a range of index tracking ETNs providing access to themes not always available in other products in the South African market.

CoreShares – in May 2022, 10X Investments, an asset manager concentrating on passive investment solutions, mainly for retirement funds, announced a purchase of 100% of the shareholding of CoreShares.

CoreShares is a well-established brand in the ETF market, with 9 ETFs in issue accounting for a market capitalisation of R5 323 million. The consolidated 10X/CoreShares business should introduce a welcome new competitive brand to the local ETF industry and future developments will be followed with interest.

Note: full details for each Exchange Traded Fund and Exchange Traded Note are available on the quarterly reports available on the etfSA website: www.etfsa.co.za:

- All South African ETFs & ETNs – Market Capitalisation Totals – December 2009 to June 2022.
- ETFs & ETNs survey – Securities in Issue and New Capital Raised/Redeemed (for period ended 30 June 2022).



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