



Index and Structured Solutions

# Exchange Traded Funds



# ABSA and NewFunds in ETFs

<b>First Listing</b>	2004
<b>Assets under Management</b>	R29 billion
<b>No. of Funds</b>	15
<b>Innovator in ETFs</b>	1 <sup>st</sup> Gold Fund
	1 <sup>st</sup> Platinum Fund
	1 <sup>st</sup> Non-Market Cap Fund
	1 <sup>st</sup> Multi-Asset Fund
	1 <sup>st</sup> Shari'ah Fund
	1 <sup>st</sup> Risk-Controlled Fund

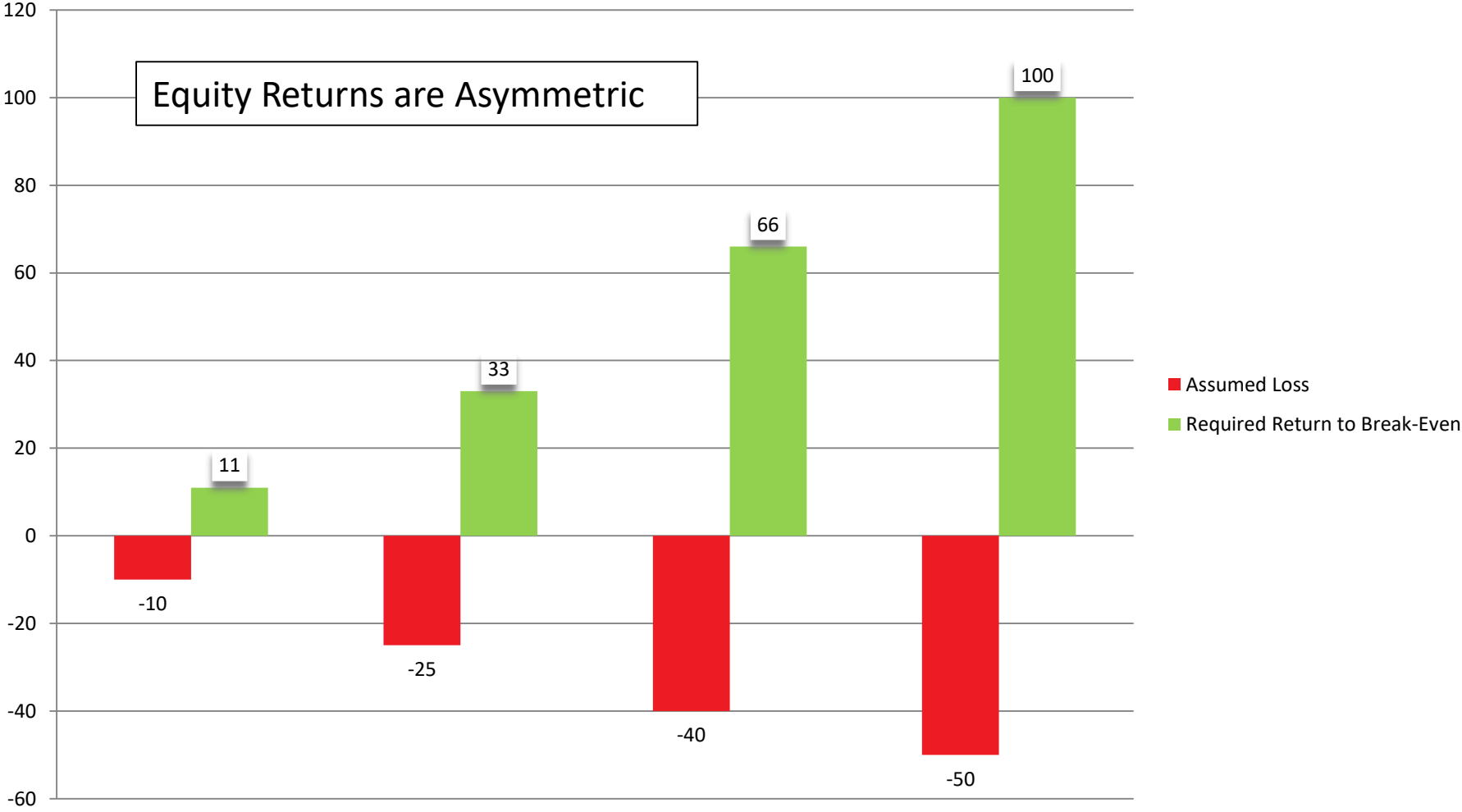
# Index Funds: A Brief Evolution

- Market Capitalisation indices, sold on the basis of:
  - **Cost:** Much cheaper than active funds
  - **Performance:** Deliver the **average** performance of market participants, therefore outperform  $> 50\%$  of managers
- Investors are **happy with low cost**
- Less happy with average return
  - Pressure on product providers to deliver excess return (alpha)
  - The rise of **smart beta**

# Macro-Factors to Consider

- Global markets at **all-time highs** despite lack of global growth
- QE (money printing) has **distorted the value of assets**
  - absence of yield in riskless assets
  - growth assets, like equities, become **difficult to value**
- Risk management is **always valuable**
  - But particularly **now**

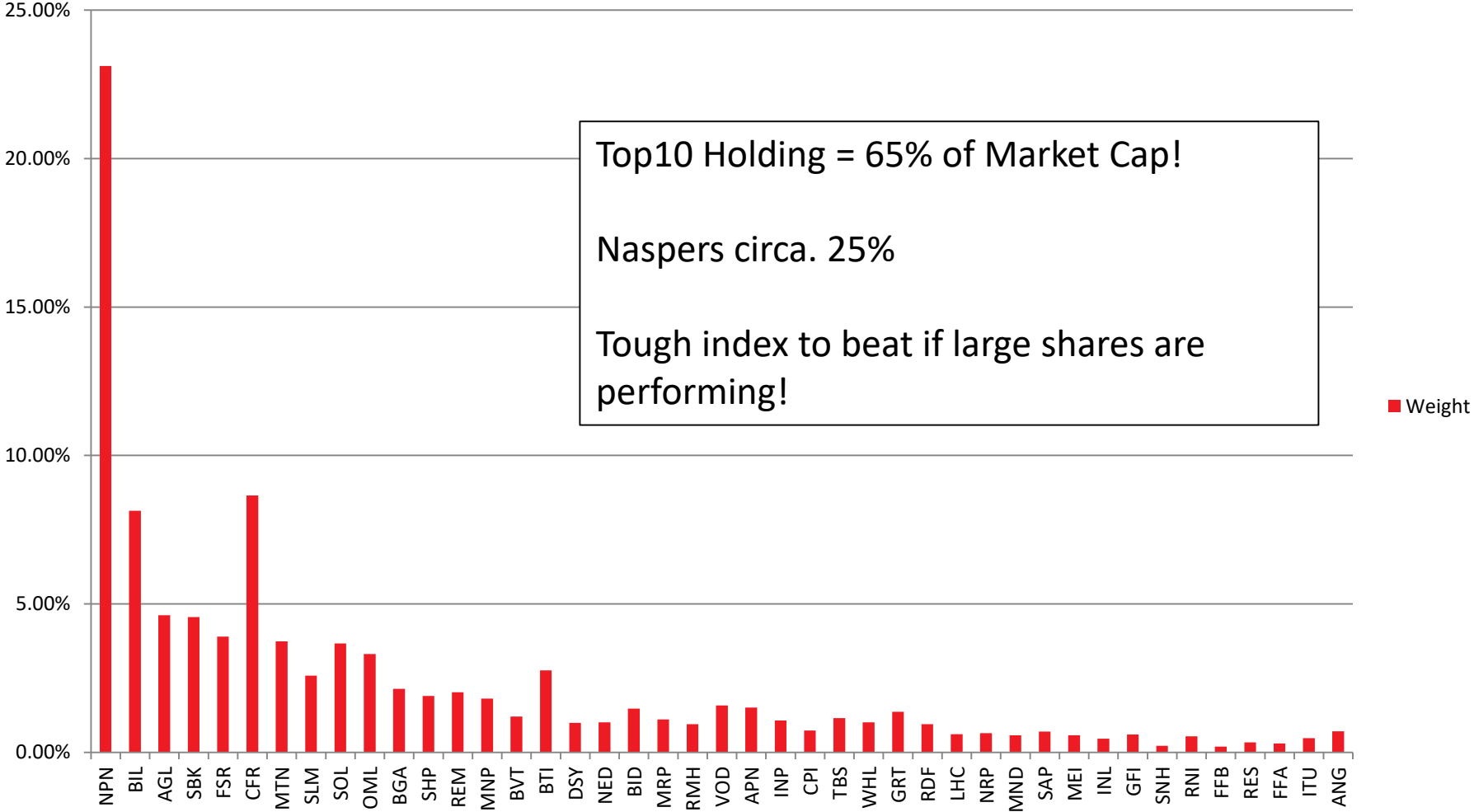
# The Value of Risk Management



# Concentration in Large Stocks

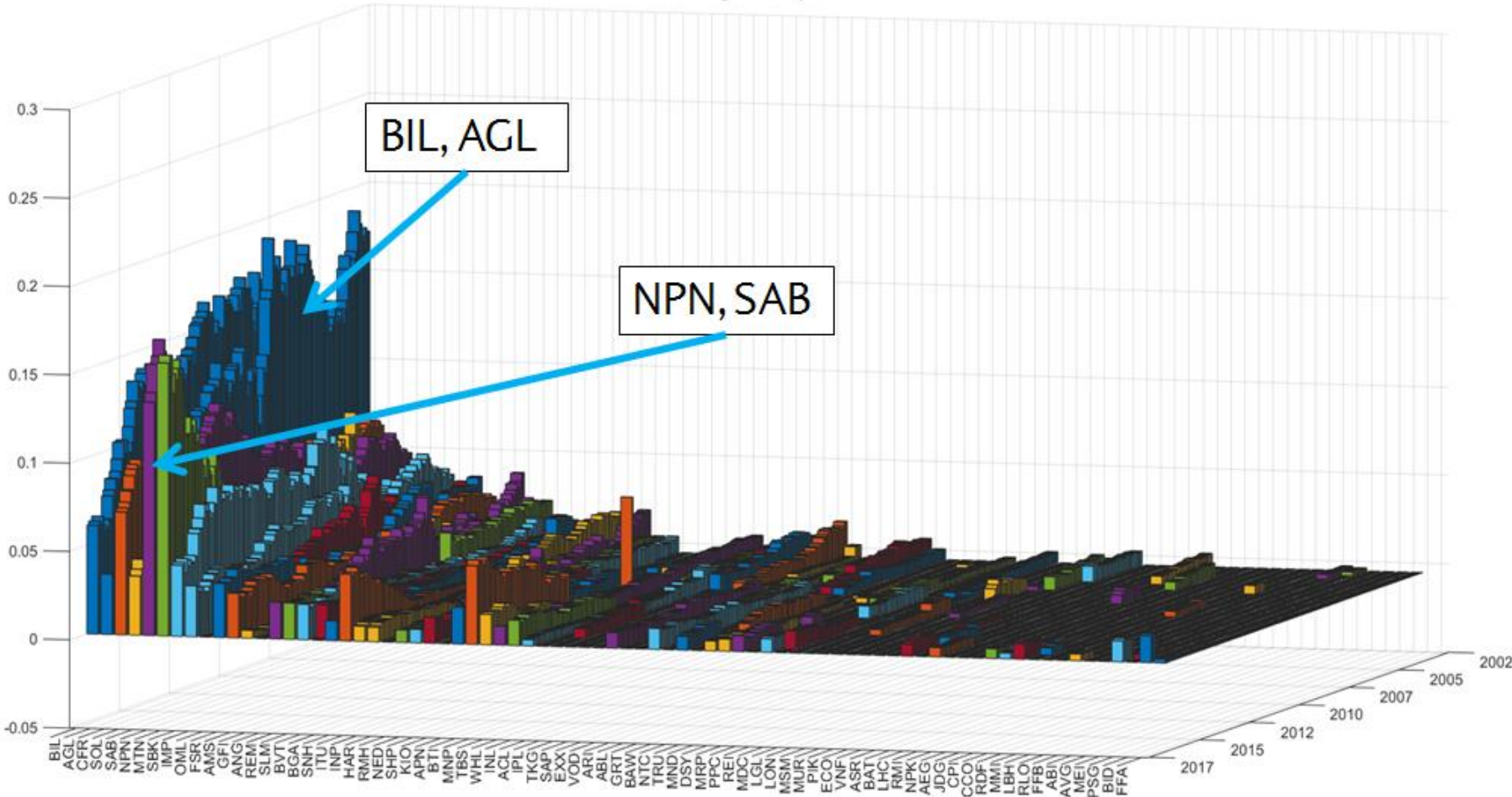
Index	Top 10 Holdings
S&P 500	20%
Eurostoxx50	37%
FTSE100	43%

# Concentration in Top 40



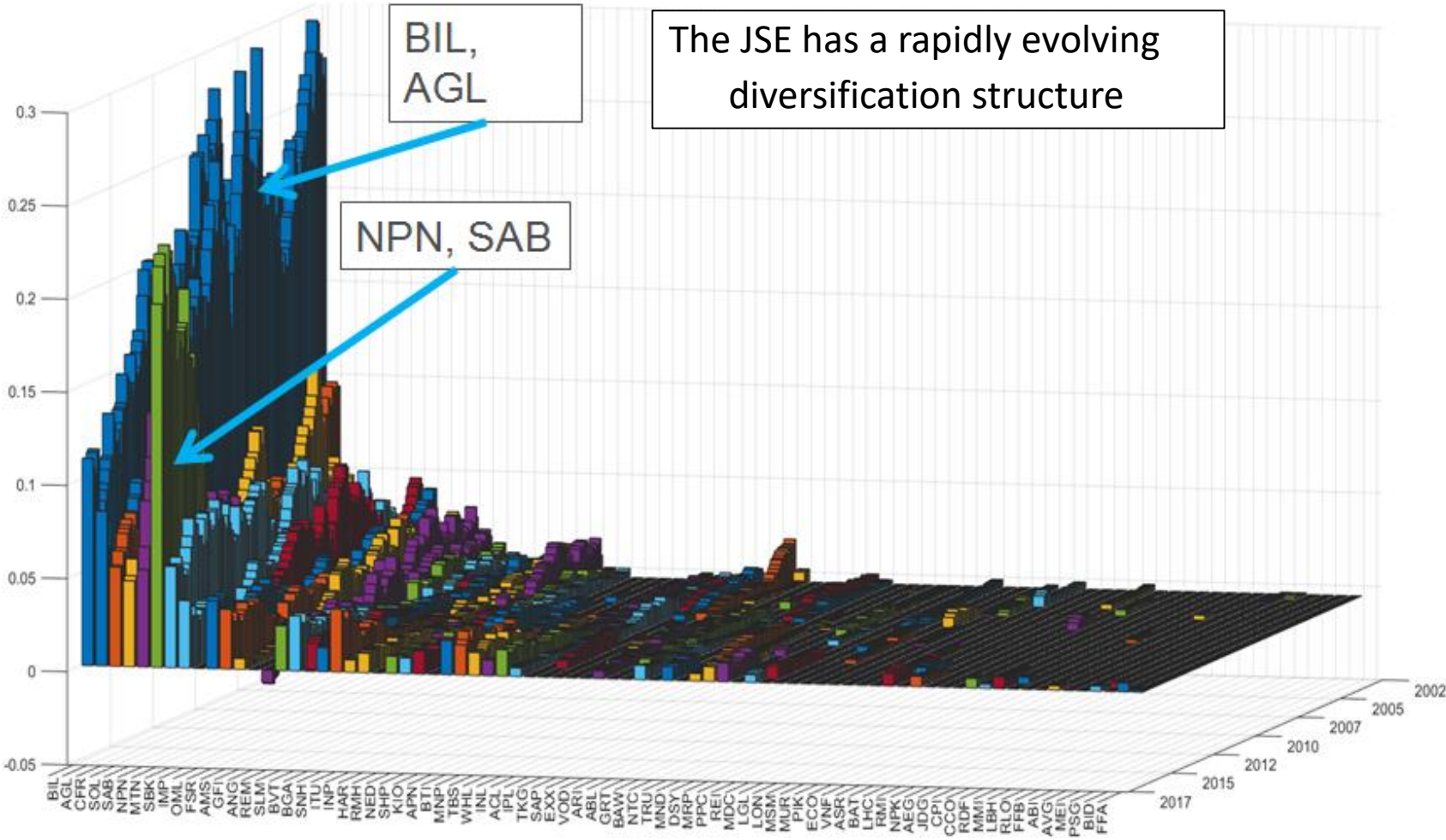


# Concentration for Top40

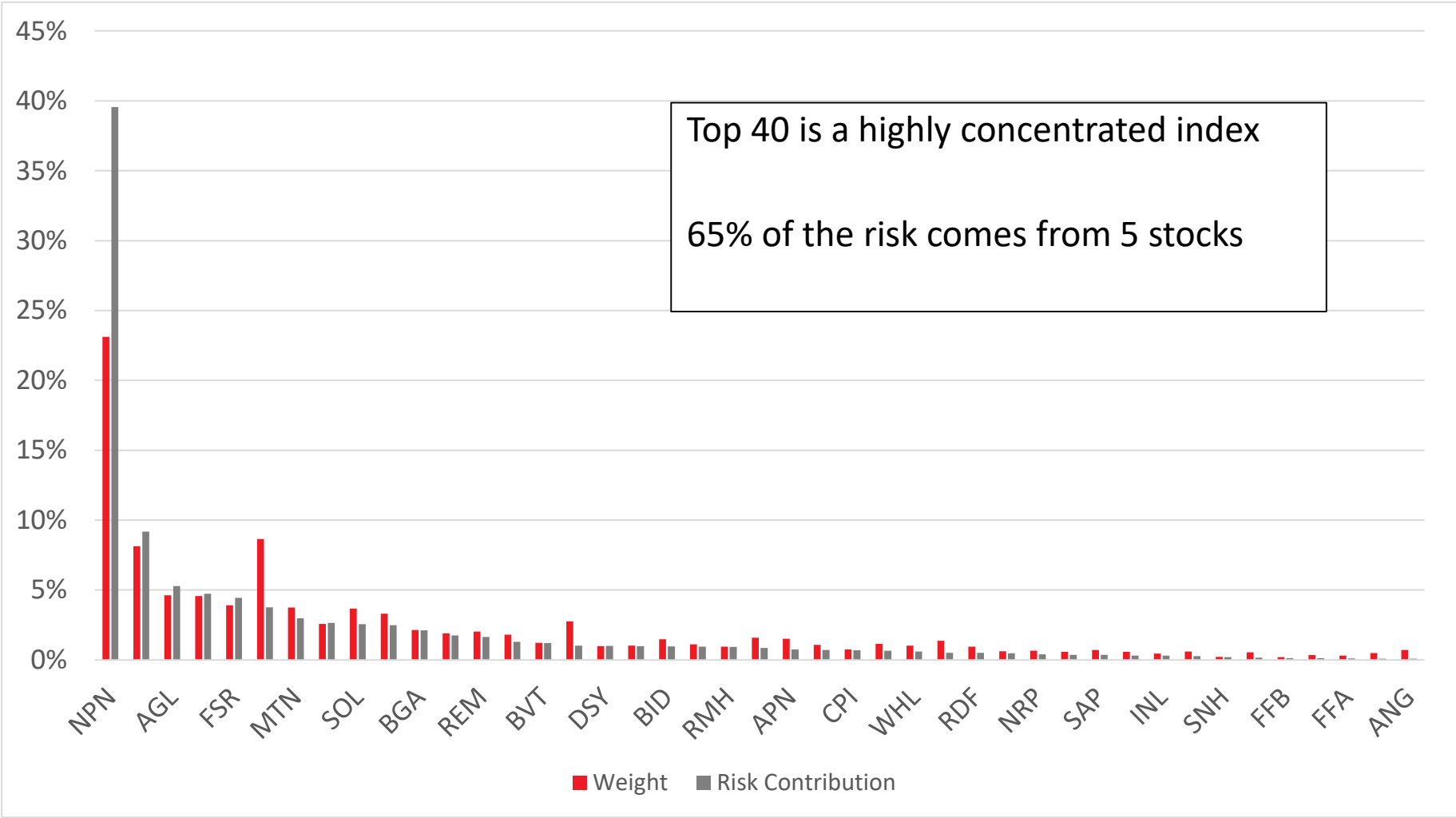




# Risk Concentration



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# The ABSA NewFunds Philosophy

- Risk management is a vitally important part of portfolio construction
- South African market is very concentrated – indices are dominated by a few shares
- Even more concentrated from a volatility perspective
- To reduce risk, manage volatility

Thank you