

Using Exchange Traded Products (ETPs) in Investment Portfolios

ETP Seminars

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The Home of Exchange Traded Funds®



Agenda

- What are ETPs?
- Using ETPs in Discretionary Investments.
- etfSA Investor Plan for Discretionary Investments.
- etfSA Retirement Annuity Funds
- etfSA Living Annuity
- etfSA Managed ETP portfolios.

What Are Exchange Traded Products (ETPs)?

- They are securities traded on the JSE, like any other listed shares.
- They give access to a portfolio (Fund) of shares.
- The Fund typically tracks an index.

Components of FTSE/JSE Top 40 Index

Index Weights – Basket of Constituents (as at December 2014) FTSE/JSE Top 40 Index			
	Market Cap Weighted (%)		Market Cap Weighted (%)
Anglo Platinum Ltd	0,38	Discovery	0,59
Anglo American Plc	4,55	FirstRand Ltd	2,75
Anglo Gold Ashanti Ltd	1,00	Growthpoint Properties Ltd	1,12
Aspen Pharmacare Hldgs	2,33	Impala Platinum Holdings	0,70
Barclays Africa Group	1,07	Imperial Holdings	0,61
BHP Billiton Plc	9,70	Investec Ltd	0,41
Bidvest Group Ltd	1,82	Investec Plc	1,00
British American Tobacco	3,47	Intu Properties Plc	1,03
Capital & Countries Prop	0,31	Kumba Iron Ore Ltd	0,22
Compagnie Fin Richemont	8,46	Life Healthcare Grp Hldgs	0,74

Components of FTSE/JSE Top 40 Index

Index Weights – Basket of Constituents (as at December 2014) FTSE/JSE Top 40 Index			
	Market Cap Weighted (%)		Market Cap Weighted (%)
Mediclinic International Ltd	0,88	Remgro Ltd	2,28
Mondi Ltd	0,43	RMB Holdings Ltd	0,76
Mondi Plc	1,33	SABMiller Plc	10,79
Mr Price Group	1,05	Sanlam Ltd	2,14
MTN Group	6,34	Sasol Ltd	4,37
Naspers Ltd -N-	10,89	Shoprite Holdings Ltd	1,39
NEDCOR	0,87	Standard Bank Group Ltd	3,24
Netcare Ltd	1,01	Steinhoff International Hldg	2,64
Old Mutual Plc	3,00	Tiger Brands Ltd	1,04
Rand Merchant Ins Hldgs	0,52	Vodacom Group	0,77
Reinet Inv Soc Anon	0,68	Woolworths Holdings Ltd	1,33

The Case for ETPs

- You buy one ETP, but you own a whole portfolio (fund) of shares.
- Although you own a whole portfolio, you only pay for one share – brokerage and JSE settlement costs are only paid once and not for every share in the portfolio.

**Buy one security and own a whole
“basket” of shares on the JSE.**

The Case for ETPs (continued)

- They are completely transparent at all times.
- Trade continuously and are highly liquid.
- Publically listed securities, with both FSB and JSE regulatory supervision.
- They only track indices so are pure “passive investments”.
- 80% of SA active unit trust fund managers cannot outperform the index – so you are always ahead of the average returns of most investors.
- Are ideal for long-term investment portfolios.

Building Up Wealth

R1000 per month in Satrix INDI 25 ETF

	Current Value*				
	1 Year (R)	3 Year (R)	5 Year (R)	10 Year (R)	20 year** (R)
Satrix INDI 25 ETF	13 532	54 030	120 640	408 830	3 959 500
* Current value of R1000 per month investment over 1-10 years for period ended 28 January 2015.					
** Extrapolated return based on 2004-2014 returns.					
Source: etfSA.co.za / Profile Data (28/1/2015).					
Note: Historic returns may not be repeated in future.					

Building Up Wealth

R1000 per month in ETF Portfolio

Fund	Amount Allocated(%)	Current Value* After 3 Year Investment (R)	Current Value* After 5 Year Investment (R)
Domestic Equities			
Satrix INDI 25 ETF	1 000	54 030	120 640
Foreign Equity & Assets			
DBX Tracker MSCI USA ETF	1 000	56 230	119 540
Listed Property			
Proptrax SAPY ETF	1 000	51 670	102 200
Bonds			
RMB Inflation-X ETF	1 000	40 580	70 100
Totals	R4 000 (per month)	R202 510	R412 480
* Current value of lump sum investment done 3 and 5 years ago.			
Source:	etfSA.co.za / Profile Data (28/1/2015).		
Note:	Historical returns may not be repeated in future.		

The Advantages of Using the etfSA Investor Plan for Discretionary Investments

- Will accept investments from R1000.
- Will process debit orders from R300 per month.
- Automatically reinvests dividends four times a year.
- Administration fee (0,4% - 0,7% p.a.) is administered over 12 months and covers all transactions over that period.
- Will facilitate third party investments
- Ideal for Investor Clubs/Stokvels.
- Specialise in ETPs only.

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Comparison on Transaction Costs

**Online stockbroker & etfSA Investor Plan
R5000 per month debit order in 5 ETFs (R1000 per ETF)**

	Total Charge (R)	
	Monthly	Annual
Online Stockbroker		
Stockbrokerage (0,5% per transaction or R50 minimum fee) per transaction	250	3 000
Settlement charges (R12,45 per transaction)	62	747
Administration fee	60	720
Total	372	4 467
etfSA.co.za		
Stockbrokerage (0,1%)	5	60
Settlement charges	-	-
Debit order charge	3,50	42
Admin fee (0,7% per annum)	35	213
Total	43,50	315



etfSA
Retirement
Annuity
Fund

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etfSA Retirement Annuity Fund

- Low cost, completely transparent, flexible, easy to understand and monitor.
- Qualify for all tax and other regulatory incentives applicable to retirement funds.

**Retirement Annuity Portfolios
for the 21st Century**



The Home of Retirement Funds

Why Retirement Annuity (RA) Funds?

- Own your own Retirement Fund with individual RAs in your name.
 - Pension funds/umbrella funds/group RA's are owned and controlled by your employer.
 - They select the fund mandates/managers
 - Appoint the Trustees
 - Control the membership conditions and benefits.
- With your own RA
 - You have greater control of your retirement savings
 - Choose your own retirement age
 - Ensure the preservation of your capital (cannot withdraw until at least 55 years of age.
 - Can be transferred at any time under section 14 of the Act.
- Companies can set up individual RAs for all employees.



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Why Retirement Annuity (RA) Funds? (continued)

- 15% of non-retirement funding income can be deducted for contributions to a RA Fund (excluding any lump sum received from a retirement fund/severance package, etc.) but does include income from all sources, investments, etc.
- From March 2016, the contributions could rise to 27,5% of taxable income.
- Any growth in a RA Fund (investment, dividends, capital gains), is tax free.
- The benefits of a RA Fund go directly to your beneficiaries on the death of a member and not to your Estate.



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Features of etfSA Retirement Annuity Fund

High Transparency

- Prices of portfolio published daily.
- Portfolio constituents known at all times.
- View your account online any time.
- Monthly publication of fact sheets.
- All policy documents available online.
 - Rules of the Fund
 - Terms and Conditions of Membership
 - Death and Disability Policy.

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Features of etfSA Retirement Annuity Fund

3 Portfolios Using Only ETFs & ETNs

CPI +3%	Wealth Conservator Fund Investors close to retirement looking to preserve their savings. (3-5 years investment)
CPI +5%	Wealth Builder Fund Matches need for capital growth of retirement savings matched with low risk investment philosophy. (5 – 10 years investment)
CPI +7%	Wealth Enhancer Fund Relatively aggressive targeted returns, but with full asset diversification. (10 years or more)

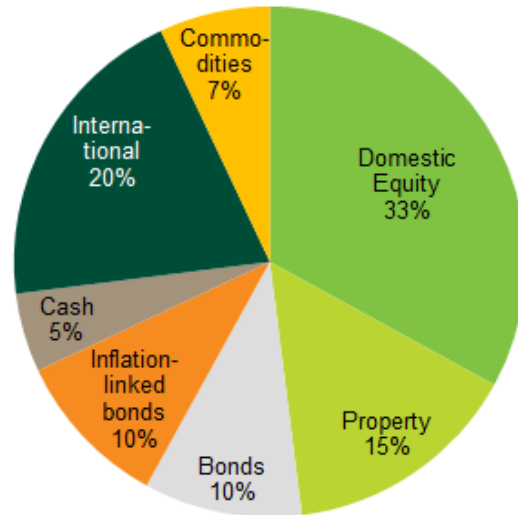


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etfSA RA Fund – Transparent *investments*

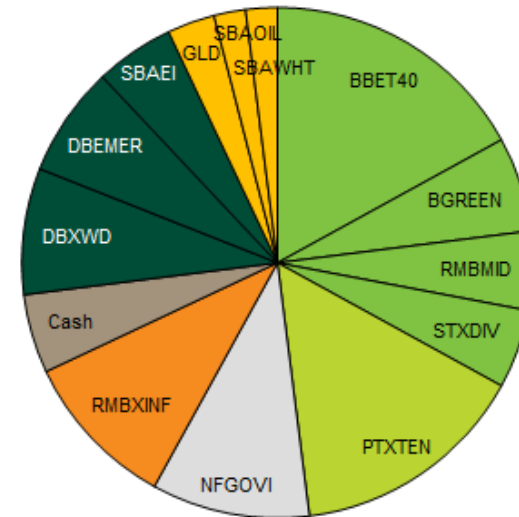
etfSA Wealth Enhancer Retirement Annuity Fund (CPI+7% target)

Strategic asset allocation



- Maximum capital growth
 - Domestic & International Equities
- Inflation protection
 - Inflation-linked bonds; Commodities
- Limited income yield

Underlying ETP investments



- Heterogeneous asset classes (lots of diversity)
 - Domestic & International Equities, Commodities
- Homogeneous asset classes (very similar)
 - Bonds, Property, Cash
- Each ETP is also fully transparent



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The Key to Successful Retirement Investment

Preservation

Don't touch your investment capital

If you change jobs, preserve your retirement savings in a RA Fund (preservation fund).

Value of R200 000 capital preserved in a RA Fund

	After 10 Years	After 20 Years	After 30 Years
R200k (lump sum in etfSA Wealth Enhancer Fund) (17% per annum)	R1 042 200	R5 429 800	R28 295 730
<i>Future performance extrapolated on actual 10 year returns for etfSA Wealth Enhancer Fund.</i>			

The Key to Successful Retirement Investment (continued)

Costs

High ongoing costs are the biggest enemy of long term retirement investment.

Lump Sum R200k Investment

(continued)

	10 Years	20 Years	30 Years	40 Years
Low cost, high return RA Fund	R1 042 200	R5 492 800	R28 295 730	R147 450 000
High cost RA Fund (2,5% per annum higher costs)	R805 000	R3 220 000	R12 880 000	R51 520 000
The "penalty" cost of underperformance	23%	41%	54%	65%

**Do costs matter?
You bet they do!**

etfSA Retirement Annuity Fund

- etfSA RA Fund is registered with the Financial Services Board (FSB) as a RA Fund (Registration No 12/8/38021) under the Pension Funds Act, 1956.
- Also registered as a retirement fund under the Income Tax Act, 1962 (Reference No 18/20/4/41147).
- Managed by a Board of Trustees (mostly independent).
- Assets managed by Nedbank Capital, shortly to be ResAM Financial Services, but all assets still held in custodianship with Nedbank Group.
- Multilect (Pty) Ltd are (13b) Pension Fund administrators approved by FSB.

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etfSA Living Annuity

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Why Living Annuities?

- For payment of monthly pension after retirement.
- The individual member can choose the annual percentage of their living annuity for drawdown in order to fund a monthly pension.
- The remainder of the capital remains in the Living Annuity Fund.
- Any capital in the Living Annuity Fund is payable to the beneficiaries and/or dependents in the event of the member's death.
- Living Annuities enable the member to individually manage their investments and benefits in retirement.
- Can transfer Living Annuities from one Life Insurance company to another.



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etfSA Living Annuities

- Structured under Prescient Life, life insurance license.
- Living annuity policy issued with Prescient, a JSE listed Financial Services Group.
- Portfolio management agreement between Prescient and ResAM Financial Services/etfSA Portfolio Management Services.
- Multilect are 13b administrator for the Living Annuity Fund.
- Co-branded policy application and mandate documents etfSA/Prescient.



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Managed
ETP
Portfolios

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etfSA Managed Portfolios

- For clients' discretionary investments in balanced portfolios of ETPs.
- Portfolios structured to:
 - Meet the financial requirements of the client
 - Suitable for the duration of the client's investment targets
 - Tailored to meet clients' risk profile
 - Structured to ensure minimum volatility, limited concentration risk and enhance correlation co-efficients.
- Investments only in JSE or foreign listed Exchange Traded Products.
- All portfolios held in client's own name on the JSE/STRATE centralized electronic register.

etfSA Managed Portfolios

- All investments channeled through JSE stockbrokers “bulked” low brokerage rates apply.
- Portfolios managed by etfSA Portfolio Managed Services through a Category II “Asset Manager” FSP license (ResAM Financial Services).
- Client accounts administered by a specialist FSB registered administrator.
- Client mandate with etfSA.co.za approved by Financial Services Board.
- Total costs (including client administration, stockbrokerage, registration, custodianship and financial advice fees:
 - **Maximum 1% per annum**
- Minimum investment R1 million.

Contact details

Websites	www.etfsa.co.za (discretionary investments) www.etfsara.co.za (etfSA RA Fund)
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