

Introduction to Exchange Traded Products (ETPs)

JSE Education Seminar

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Mike Brown

Managing Director

etfSA.co.za

The Home of Exchange Traded Funds[®]



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 September 2014) FTSE/JSE Top 40 Index			
	Market Cap Weighted (%)		Market Cap Weighted (%)
Anglo Platinum Ltd	0,40	Compagnie Fin Richemont	8,49
Anglo American Plc	5,93	Discovery	0,52
Anglo Gold Ashanti Ltd	0,93	Exxaro Resources Ltd	0,31
Aspen Pharmacare Hldgs	1,98	FirstRand Ltd	2,54
Assore Ltd	0,14	Growthpoint Properties Ltd	0,96
Barclays Africa Group	0,95	Impala Platinum Holdings	0,84
BHP Billiton Plc	11,74	Imperial Holdings	0,57
Bidvest Group Ltd	1,70	Investec Ltd	0,43
British American Tobacco	3,55	Investec Plc	1,03
Capital & Countries Prop	0,24	Intu Properties Plc	0,98

Components of FTSE/JSE Top 40 Index

Index Weights – Basket of Constituents (as at September 2014) FTSE/JSE Top 40 Index			
	Market Cap Weighted (%)		Market Cap Weighted (%)
Kumba Iron Ore Ltd	0,29	Remgro Ltd	2,07
Life Healthcare Grp Hldgs	0,80	RMB Holdings Ltd	0,68
Mediclinic International Ltd	0,73	SABMiller Plc	11,04
Mondi Ltd	0,39	Sanlam Ltd	2,06
Mondi Plc	1,20	Sasol Ltd	5,82
Mr Price Group	0,88	Shoprite Holdings Ltd	1,13
MTN Group	7,93	Standard Bank Group Ltd	2,94
Naspers Ltd -N-	8,24	Steinhoff International Hldg	2,50
Nedbank Group Ltd	0,80	Tiger Brands Ltd	0,89
Old Mutual Plc	2,73	Vodacom Group	0,79
Reinet Inv Soc Anon	0,67	Woolworths Holdings Ltd	1,18

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.**

Continued/...

The Case for ETPs (continued)

Low costs

Average Total Expense Ratios (TERs)*		
	% p.a.	bps
Domestic Exchange Traded Fund	0,33%	33
Unit Trust Index Trackers	0,76%	76
General Equity Unit Trust	1,56%	156

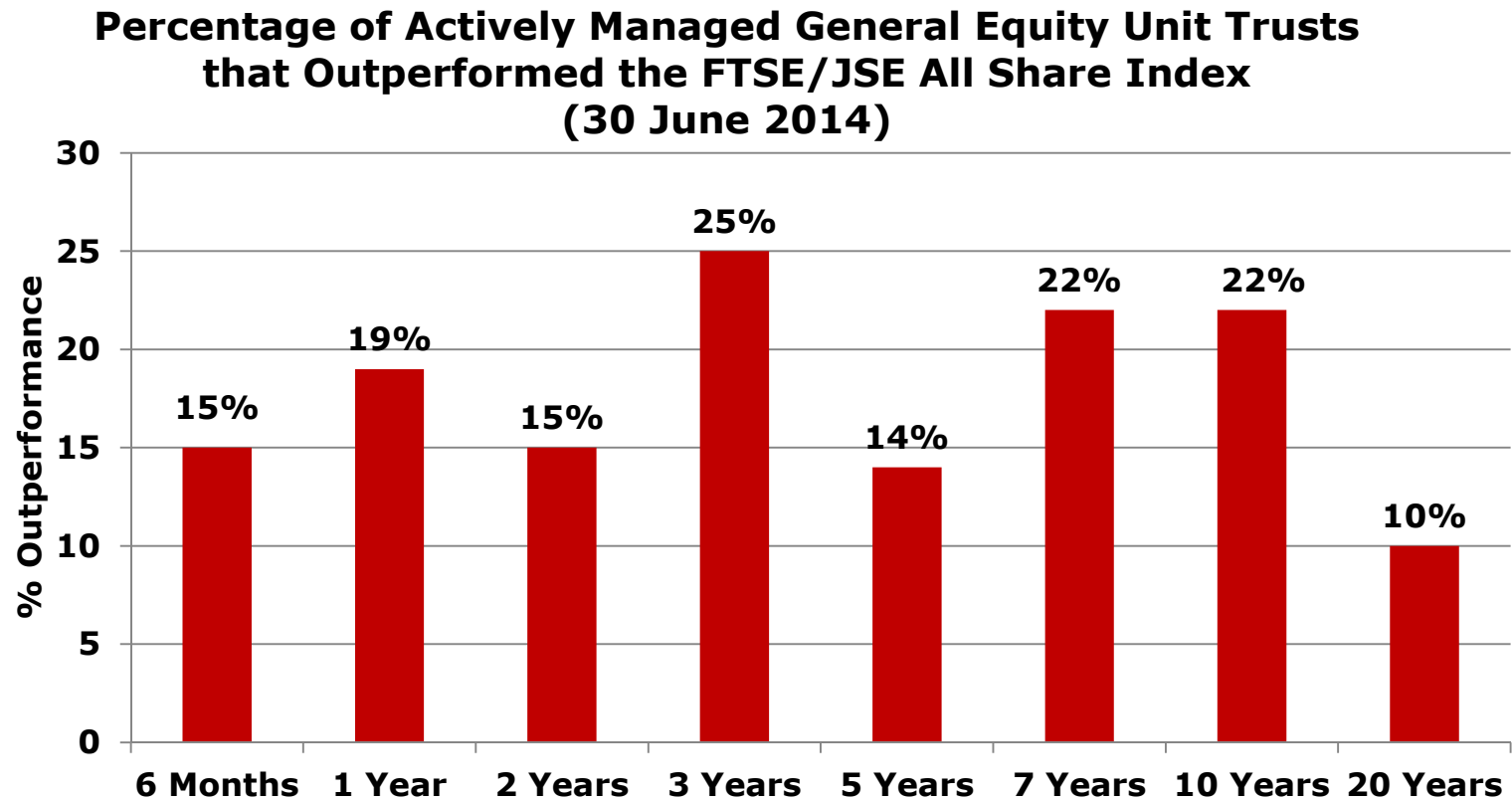
- Low brokerage schemes are available for purchase of ETFs through Investment Plans, etc. (similar to LISP platforms for unit trusts).
- No STT (Securities Transfer Tax) of 0,25% payable for ETFs.
- Passive tracking index reduces portfolio churn and undisclosed transaction costs.

***Note: TERs are not consciously paid by the investor, they are embedded in the price of the product.**

Continued/...

The Case for ETPs (continued)

They outperform 80% of Actively Managed Portfolios Over Time



Source: ASISA Unit Trust Survey (30 June 2014)

Types of Exchange Traded Products (ETPs)

- **Exchange Traded Funds (ETFs)**
 - The manager has to hold 100% physically backed index shares for every ETF they issue.
 - The physical securities are held in an insolvency remote Trust, with independent Trustees (subject to JSE/FSB approval) which 100% collateralizes the ETF.
 - ETFs are Collective Investment Schemes as well as public undertakings listed on the JSE.

Types of Exchange Traded Products (ETPs)

- **Exchange Traded Notes (ETNs)**
 - The liability of the issuer is backed by a forward or futures contract (or similar) and not by 100% physical backing.
 - Accordingly, the creditworthiness of the issuer has to be taken into account.
 - ETNs are not Collective Investment Schemes but are publically listed securities on the JSE.

Types of Exchange Traded Funds

	Description	Products
SA Equities	Broad Market Top 40 Indices	Satrix 40; RMB Top 40; NewFunds SWIX Top 40; BettaBeta EWT 40
	Sectoral Indices	Satrix INDI 25; Satrix FINI 15; RMB Mid Cap
	Fundamental Indices	Satrix RAFI Top 40; NewFunds eRAFI INDI, FINI, RESI
	“Smart” ETFs	Nedbank Green; Grindrod Low Volatility; Satrix DIVI
	Balanced Portfolios	Absa Capital MAPPS Protect / Growth
Foreign Equities	Offshore Equity Markets	DBX Tracker MSCI World, USA, Japan
SA Bonds	SA Government Bond Indices	NewFunds GOVI, ILBI, RMB Inflation-X
SA Listed Property	Listed Property (REITS) Indices	Grindrod Bank PropTrax SAPY, Proptrax Ten
Commodities	Physically backed single asset class precious metals	NewGold, New Plat, Standard Bank Africa Platinum, Palladium

Types of Exchange Traded Notes

	Description	Products
International Equities	Emerging Market Equities	DB China; Africa Emerging Markets; Standard Bank Africa Equity
Commodities	Forward/Futures Backed Commodity Contracts	Standard Bank Gold, Silver, Platinum, Oil, Copper, Wheat Linkers; Investec Gold; NewWave Platinum/Silver
Currency	Currency Deposits	NewWave Pound, Euro, Dollar

Building Up Wealth

R1000 per month in Satrix INDI 25 ETF

	Current Value*				
	1 Year	3 Year (R)	5 Year (R)	10 Year (R)	20 year** (R)
Satrix INDI 25 ETF	13 640	57 380	124 780	422 400	4 638 600
* Current value of R1000 per month investment over 1-10 years for period ended 19 June 2014					
** Extrapolated return based on 2004-2014 returns.					
Source: etfSA.co.za / Profile Data.					
Note: Historic returns may not be repeated in future.					

Building Up Wealth

R300 per month in ETF Portfolio

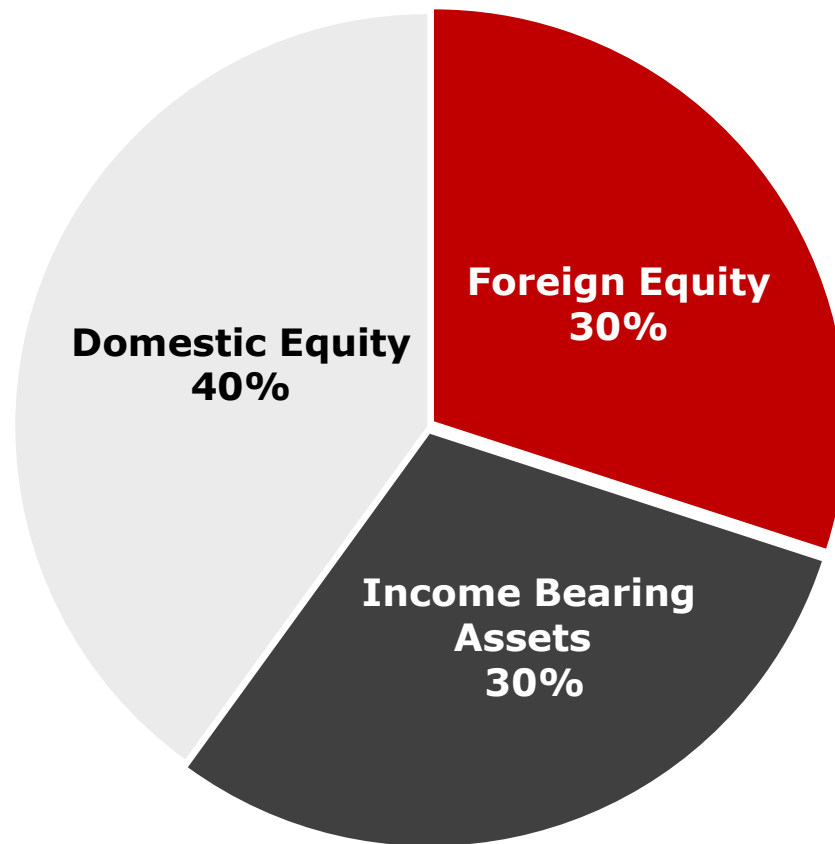
Fund	Amount Allocated (%)	Current Value* After 3 Year Investment (R)	Current Value* After 5 Year Investment (R)
Domestic Equities			
Satrix INDI 25 ETF	300	16 675	36 490
Foreign Equity & Assets			
DBX Tracker MSCI USA ETF	300	17 045	35 860
Listed Property			
Proptrax SAPY ETF	300	13 740	27 790
Bonds			
RMB Inflation-X ETF	300	12 340	23 100
Totals	R1 200 (per month)	R59 800	R123 240
*	<i>Current value of lump sum investment done 3 and 5 years ago.</i>		
Source:	<i>etfSA.co.za / Profile Data (3/9/2014).</i>		
Note:	<i>Historical returns may not be repeated in future.</i>		

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	56 630	123 150
Foreign Equity & Assets			
DBX Tracker MSCI USA ETF	1 000	58 340	120 000
Listed Property			
Proptrax SAPY ETF	1 000	44 600	90 500
Bonds			
RMB Inflation-X ETF	1 000	41 430	77 480
Totals	R4 000 (per month)	R201 000	R411 130
*	<i>Current value of lump sum investment done 3 and 5 years ago.</i>		
Source:	<i>etfSA.co.za / Profile Data (28/7/2014).</i>		
Note:	<i>Historical returns may not be repeated in future.</i>		

Typical Asset Allocation



Balanced Portfolio

(multi asset class)

ETF Balanced Portfolio	Amount Allocated (%)	3 Year Total Return* (% per annum)	5 Year Total Return* (% per annum)
Domestic Equity			
Satrix INDI 25 ETF	20%	31,59%	30,59%
NewFunds eRAFI FINI ETF	10%	28,33%	24,51%
NewFunds eRAFI Overall	10%	19,32%	19,79%
Foreign Equity			
DBX Tracker MSCI USA ETF	15%	33,41%	24,93%
DBX Tracker MSCI World ETF	15%	28,49%	21,34%
Interest Bearing Assets			
NewFunds ILBI ETF**	15%	11,42%	10,10%
Proptrax SAPY ETF	15%	16,49%	19,51%
Totals	100%	24,41%	21,95%
Multi Asset Unit Trusts			
Low Equity Fund***	-	11,68%	11,00%
High Equity Funds***	-	15,55%	15,12%
Flexible Funds	-	15,75%	15,39%

*	Total return with all dividends reinvested.
**	Based on ILBI index returns.
***	Average returns for all unit trusts in this sector.

Source:	ASISA – Quarterly Unit Trust Survey (June 2014)
Note:	Historical returns may not be repeated in future.

The Advantages of Using an Investment Platform for ETPs

- 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.
- Financial advice can be provided for large portfolio investments.

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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

Contact details

Websites	www.etfsa.co.za – fully internet based www.etfsara.co.za (etfSA RA Fund)
etfSA Call Centre	0861 383 721 (0861 ETFSA1) queries@etfsa.co.za 0861 383 727 (etfSA RA Fund)
etfSA Management	Tel: 011 561 6653 Fax: 011 388 4674 info@etfsa.co.za Jenilee Naidoo : jenileen@etfsa.co.za 0861 383 727

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