

What Can ETPs Do For My Investment Portfolio?

Performance

Excellent long term performance of the South African equity market has meant that an investment in the JSE All Share index would have doubled in value every 4½ years over the past 5-30 years. ETPs provide the performance of an index, by exactly replicating the components of an index.

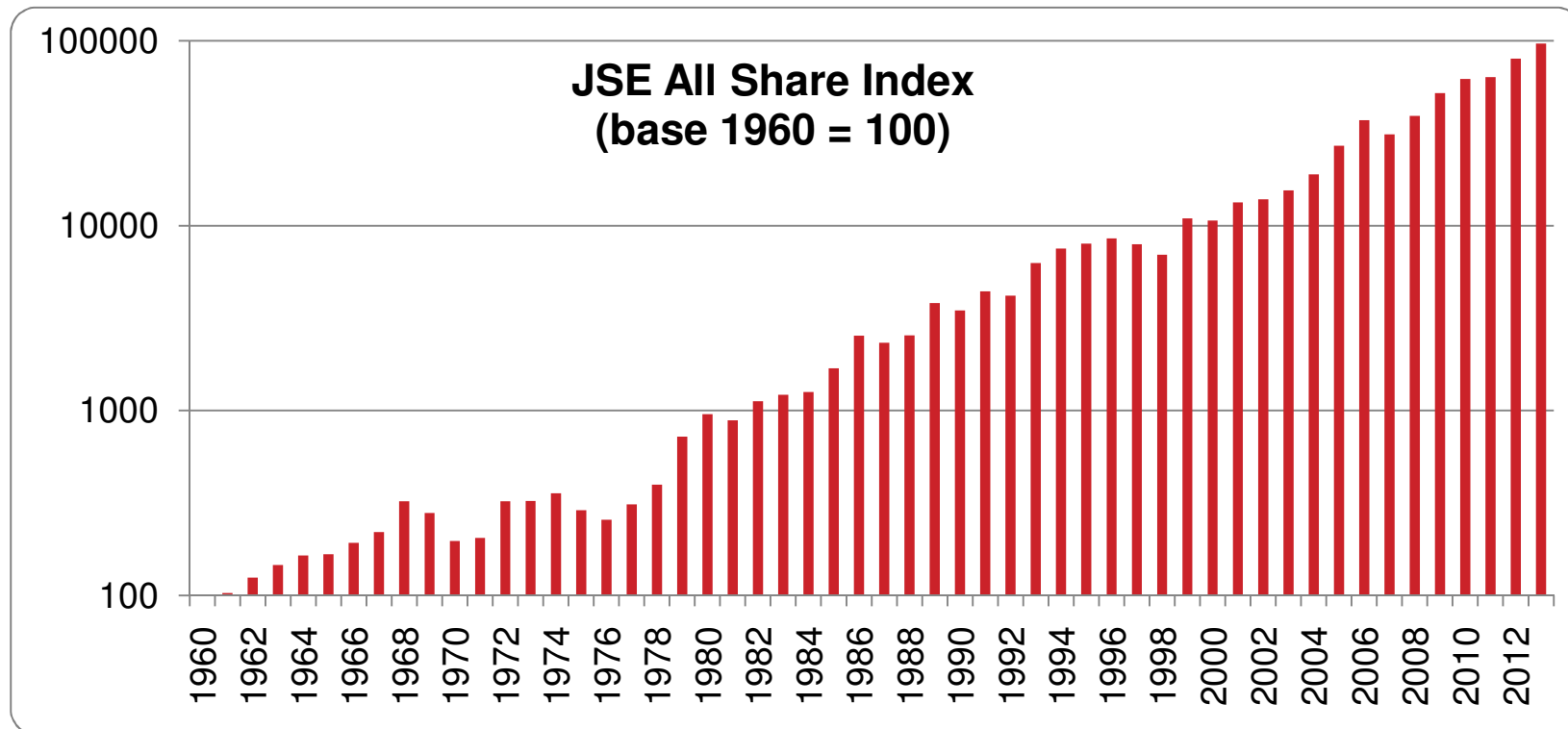
**Buy ETPs and
perform like the
market**

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JSE All Share Index – Excellent Long-Term Returns

| <u>Annual Returns</u> | | | | |
|-----------------------|----------------|----------------|---------------|---------------|
| 30 Year | 20 Year | 10 Year | 7 Year | 5 Year |
| 21,1% | 16,9% | 20,7% | 13,3% | 20,10% |



What Can ETPs Do For My Investment Portfolio? (continued)

Performance

The stockmarket has far more positive performance years than negative returns – staying invested brings long-term rewards.

JSE All Share Index Returns From 1960

Source: Credit Suisse

In more than 72% of the past fifty five years, the JSE has shown positive annual growth.

| | | | | | | | | |
|------------|------------|----------|----------------------|----------|----------|----------|----------|---------|
| | | | 2011 | | | | | |
| | | | 1996 | | | | | |
| | | | 1995 | | 2013 | | | |
| | | | 1988 | 2010 | 2012 | | | |
| | 2010 | | 1984 | 2007 | 2004 | | | |
| | 2002 | 2000 | 1983 | 2003 | 2001 | | | |
| | 1998 | 1997 | 1974 | 1994 | 1991 | | | |
| | 1976 | 1992 | 1973 | 1967 | 1982 | 2009 | 2005 | 1999 |
| 2009 | 1975 | 1990 | 1971 | 1966 | 1978 | 2006 | 1989 | 1993 |
| 2008 | 1969 | 1987 | 1965 | 1964 | 1977 | 1985 | 1986 | 1979 |
| 1970 | 1960 | 1981 | 1961 | 1963 | 1962 | 1980 | 1968 | 1972 |
| -30 to -20 | -20 to -10 | -10 to 0 | 0 to 10 | 10 to 20 | 20 to 30 | 30 to 40 | 40 to 50 | Over 50 |
| Negative | | | Returns (percentage) | | | Positive | | |

The South African share market provides outstanding returns over the long-term.

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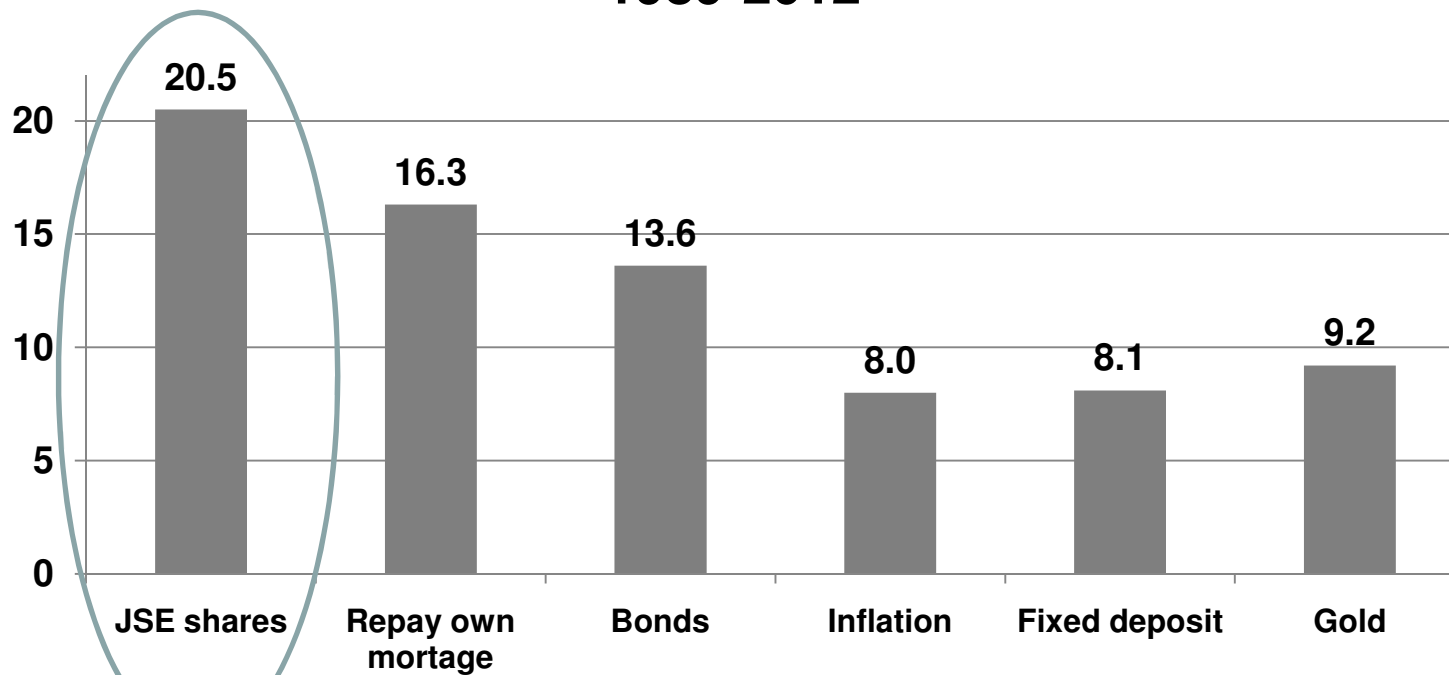
What Can ETPs Do For My Investment Portfolio? (continued)

Performance

SA equities have superior long-term performance to other asset classes.

What Can ETFs Do For My Investment Portfolio? (continued)

Annual Returns For Different Asset Classes 1989-2012



Source: Standard Bank

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What Can ETPs Do For My Investment Portfolio? (continued)

Lower Costs

- ETPs have considerably lower Total Expense Ratios (TERs) than unit trusts.
 - TERs measure the cost of running portfolios. They exclude distribution costs, marketing, commissions and brokerage and any upfront costs paid by investors.

What Can ETPs Do For My Investment Portfolio? – Lower Costs of Investments

Average Annual Total Expense Ratios (TERs)

| | TER (basis points) |
|-------------------------------------|--------------------------|
| Domestic Equity – Financial | |
| Unit Trusts | 1,66 |
| Satrix FINI | 0,45 |
| Domestic Equity – Industrial | |
| Unit Trusts | 1,48 |
| Satrix INDI | 0,45 |
| Domestic Equity – Large Cap | |
| Unit Trusts | 1,23 |
| Satrix 40 | 0,45 |
| Satrix SWIX Top 40 | 0,45 |

| | TER (basis points) |
|---|--------------------------|
| Domestic Equity – Resources & Basic Industry | |
| Unit Trusts | 1,63 |
| Satrix RESI | 0,45 |
| Domestic Equity – Specialist Funds | |
| Unit Trusts | 1,54 |
| Satrix DVII | 0,45 |

Source: Quarterly Unit Trust Survey (Sept 2013)

(shows the average TERs for all unit trusts in each category versus Satrix ETF products)

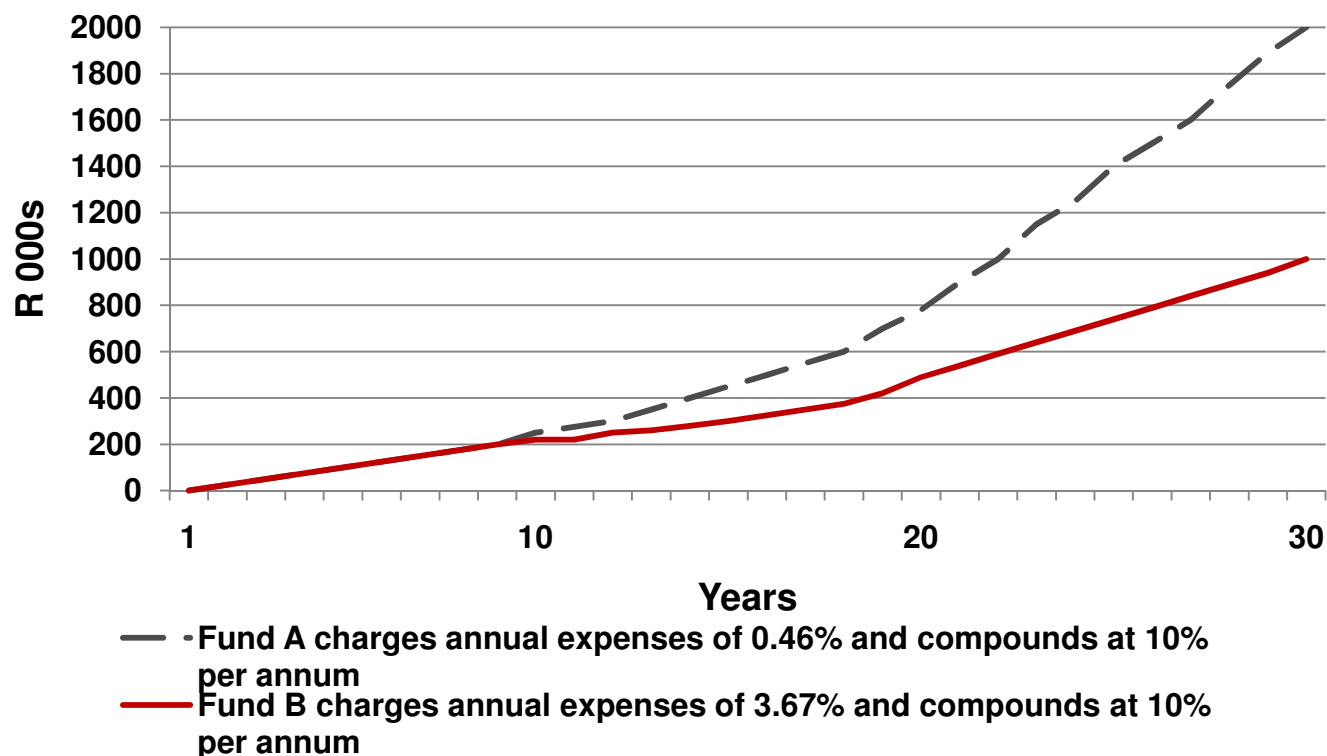
What Can ETPs Do For My Investment Portfolio? (continued)

Lower Costs

- The impact of a lower annual total cost structures can materially improve investment portfolio returns in the medium to long-term.

What Can ETPs Do For My Investment Portfolio? (continued)

Effect of Annual Costs



Lower costs have a measured impact on investments over time

Calculation assumes R1 000 a month invested for 30 years. Illustration assumes current value and zero inflation. Excess of Fund A over Fund B is R37 000 after 10 years. R245 000 after 20 years and R966 000 after 30 years.

Source: Unit Trust and Collective Investment Schemes Handbook (September 2008).

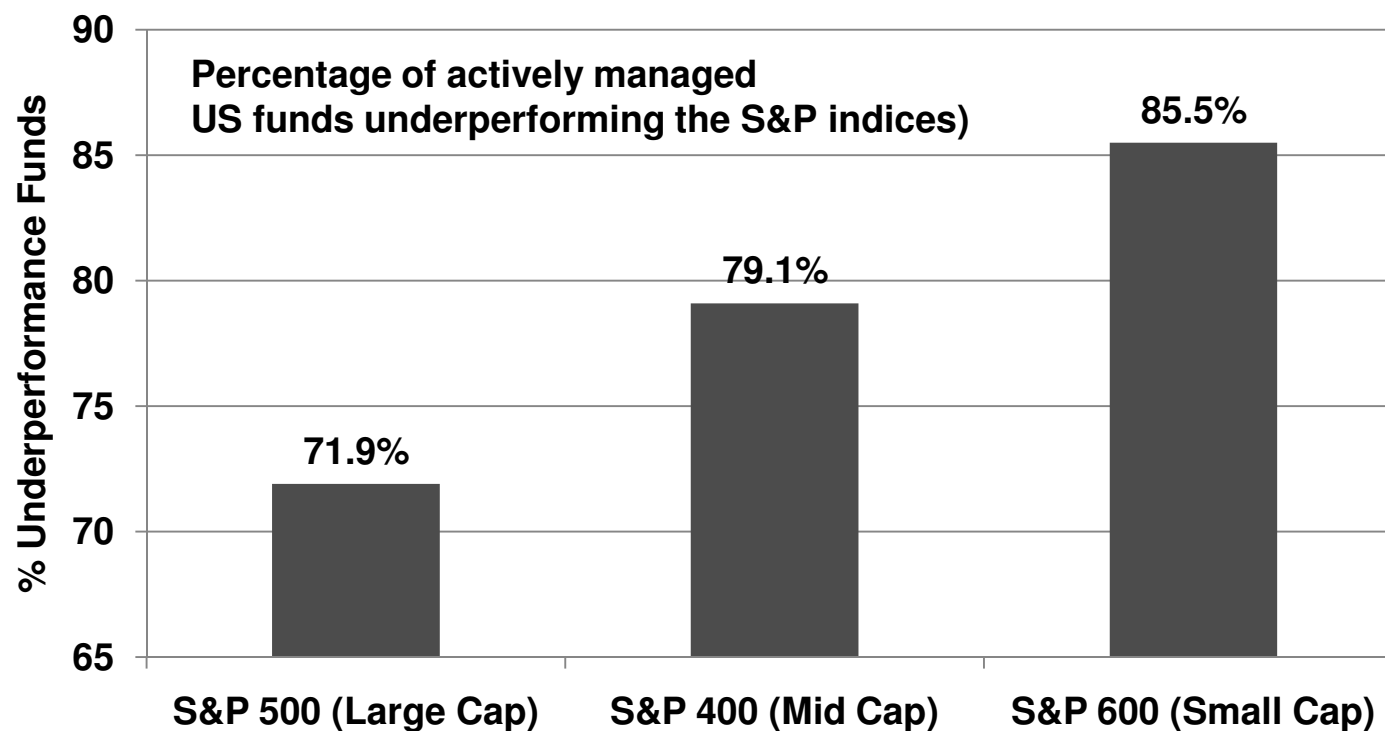
What Can ETPs Do For My Investment Portfolio? (continued)

Lower Risk

- Index tracking ETPs provide **Beta** – the average return in the market.
- Only 30% of investors in the market can beat the average market performance (the index).
- After trading expenses (brokerage, commissions, taxes) even less investors beat the index.

What Can ETPs Do For My Investment Portfolio? (continued)

Performance of Actively Managed US Mutual Funds vs The Standard & Poors (S&P) Indices (5 year Cycle - 2004 to 2008)



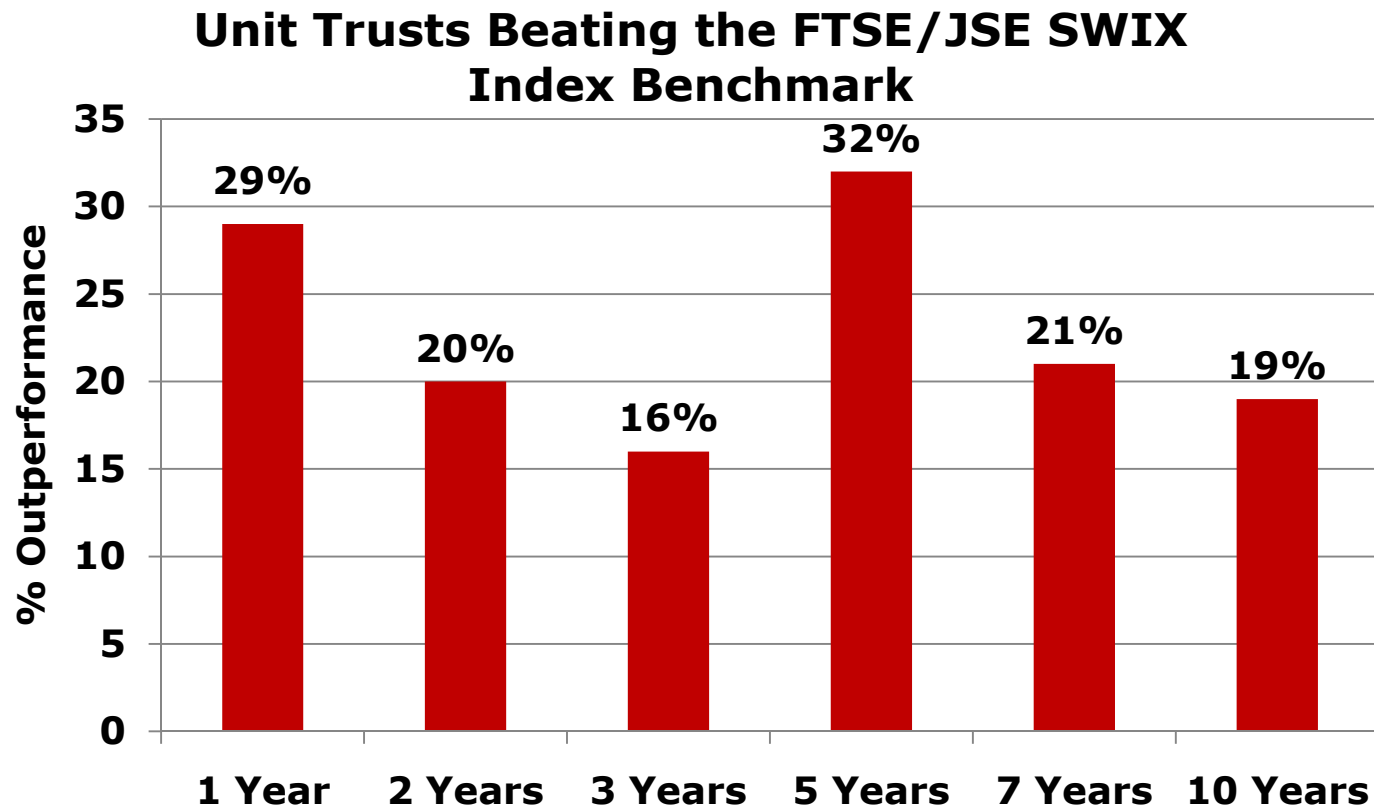
Most active managers underperform the index (ETFs) in the USA

Source: Standard & Poors Quarterly Survey (December 2008).

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What Can ETPs Do For My Investment Portfolio? (continued)



Source: "The Quest for Alpha" - D Wessels - DRW Investment Research (June 2013)

**And in
South
Africa**

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