

Why and How to Invest in Exchange Traded Products (ETPs)

Presentation at:

**JSE / etfSA / Grindrod Bank
Education Seminar, JSE**

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The Home of Exchange Traded Funds[®]



Agenda

- What are Exchange Traded Products (ETPs)?
- The case for ETPs.
- Why you should be using ETPs.
- Information on ETFs/ETNs.
- How to invest in ETPs.

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.

What is An Index?

Index Weights – Basket of Constituents (as at December 2012)
FTSE/SAPY Property Index

	Market Cap Weighted (%)		Market Cap Weighted (%)
Growthpoint	24,5	Sycom	2,0
Redefine	14,1	Rebosis	1,9
Capital	8,3	Fortress Income – A	1,7
Resilient	6,9	Investec Prop	1,3
Hyprop	6,1	Premium	1,1
Fountainhead	5,8	Hospitality – A	1,1
Vukile	4,6	Redefine Prop Int	0,9
SA Corp	4,5	Octodec	0,8
Acucap	4,4	Arrowhead – A	0,8
New Europe Prop Inv	3,5	Arrowhead – B	0,8
Emira	3,1	Hospitality - B	0,4
			Total 100%

What Are Exchange Traded Products (ETPs)? (continued)

- 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.
- The “basket” of shares you own
 - Diversifies your portfolio
 - Enhances performance potential
 - Reduces your risk.

The Case for ETPs

- Low Costs
 - Average management costs only one-third of unit trusts.
- Easy to trade
 - Can be bought or sold anytime on the JSE
 - No Securities Transfer Tax on ETFs (cheaper to trade than shares).
- Transparency
 - Portfolio holdings known at all times
 - Price is made on the JSE open market and is known to all.
- Diversification
 - You purchase a portfolio of top quality shares which spread you risk and enhances performance potential.

ETFs & ETNs

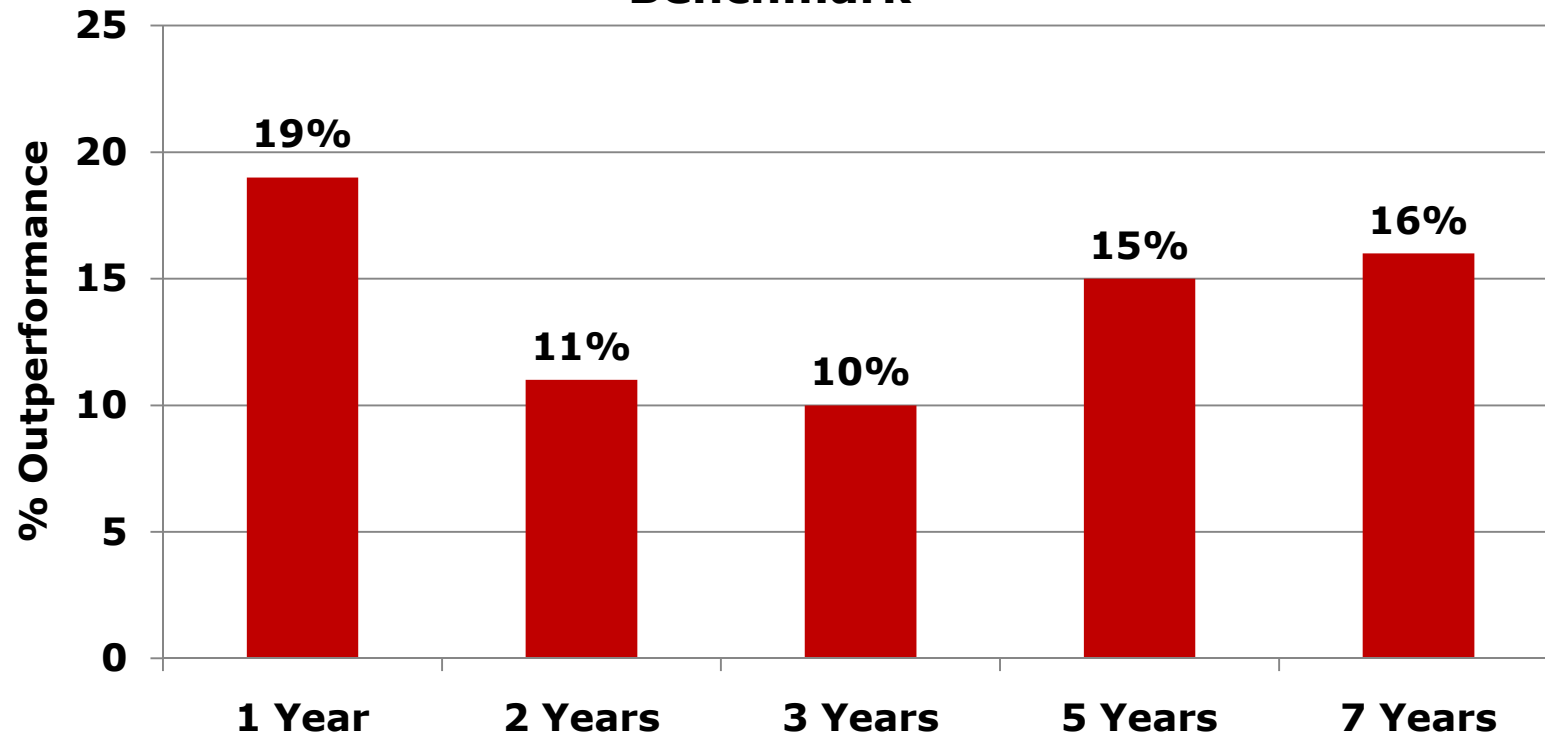
- **Exchange Traded Funds (ETFs)**
 - ❑ Listed and traded on the JSE like a normal share (security).
 - ❑ Holds a physical portfolio of shares exactly replicating an index.
 - ❑ Such shares held in an insolvency remote trust with an independent Trustee.
 - ❑ Your ETF is a participatory interest in the assets of this Trust.
 - ❑ ETFs are regulated by both the FSB (as Collective Investment Schemes) and by the JSE (as listed securities).

ETFs & ETNs

- **Exchange Traded Notes (ETNs)**
 - ❑ Listed and traded on the JSE like a normal share (security).
 - ❑ Do not have to physically hold the assets they are tracking.
 - ❑ Can cover their liability with forward or futures contracts.
 - ❑ The issuer has the **obligation** to deliver the total return of the asset being tracked.
 - ❑ Need to look at the credit worthiness of the ETN issuer.
 - ❑ ETNs only regulated by the JSE (as listed securities).

Why You Should Be Using ETFs/ETNs

Unit Trusts Beating the FTSE/JSE SWIX Index Benchmark



Source: "The Quest for Alpha" - D Wessels - DRW Investment Research (June 2012)

Why Invest In ETF/ETNs?

Current value of **R1000 per month** investment in
Proptrax SAPY ETF

	R
After 3 Years	54 785
After 5 Years	113 470
After 10 Years*	423 163
After 20 Years*	3 574 869

*Source: Profile Data/etfSA.co.za (25/4/2013).
Total returns with dividends reinvested.
* Extrapolated on past 10 year's performance.
Note: Historic performance will not necessarily be repeated in future.*

Get Invested and Stay Invested!

Continued/...

What ETFs/ETNs to buy?

Total SA equity market exposure (pure Beta)	Track the FTSE/JSE Top 40 .	<ul style="list-style-type: none"> • Satrix 40 ETF • BettaBeta EWT 40 ETF
Exposure to sectors of the market	Track Industrial, Financial, Resources, MidCap indices, etc.	<ul style="list-style-type: none"> • Satrix INDI 25 ETF • NewFunds eRAFI FINI 15 ETF • RMB MidCap ETF
Bonds	Track portfolios of SA Government bonds.	<ul style="list-style-type: none"> • Investec zGOVI ETF • RMB Inflation-X ETF
Property	Track listed Property indices.	<ul style="list-style-type: none"> • Proptrax SAPY ETF • Proptrax TEN ETF
Money Market	Invest in cash/near cash instruments	<ul style="list-style-type: none"> • NewFunds TRACI ETF • PrefEx ETF

Continued/...

What ETFs/ETNs to buy? (continued)

Foreign Equity Markets	Track main offshore indices in rands (rand denominated assets).	<ul style="list-style-type: none"> • DBX Tracker MSCI World ETF • DBX Tracker MSCI USA ETF • DB Emerging Markets ETN
"Smart" ETFs	Track indices with a "Theme" or "Style".	<ul style="list-style-type: none"> • Satrix DIVI ETF • NewFunds eRAFI ETF • Nedbank BGreen ETF
Other Assets	Track physical commodity prices, currencies, etc.	<ul style="list-style-type: none"> • NewGold ETF • Standard Bank Platinum-Linker or Palladium-Linker ETNs

Sample Portfolio

(R300 per month debit order in each ETP)

	Fund	3 Year Total Return* (% per annum)	Current Value** After 3 Years (R)
Domestic Equity	BettaBeta EWT 40 ETF	14,57%	13 608
JSE Sectors	Satrix INDI 25 ETF	26,14%	16 495
Bonds	RMB Inflation-X ETF	14,62%	13 620
Property	Proptrax SAPY ETF	25,92%	16 435
Foreign Equity	DBX Tracker MSCI USA ETF	24,85%	16 139
Total			76 297

* Total return with dividends reinvested over past 3 years.

** Current value (29 April 2013) for R300 per month invested in each ETF.

Source: etfSA.co.za / Profile Data (29/4/2013).

Note: Historic returns may not be replicated in future.

Information on ETFs/ETNs

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Property Index Tracker SAPY

South African--Real Estate--General

Focus and Objective

The investment objective of the Property Index Tracker portfolio is to replicate the price and yield performance of the FTSE/JSE SAPY Index by holding a portfolio of securities substantially equivalent to the basket of securities comprising the Index in the same weighting as the Index.

The Property Index Tracker portfolio will be adjusted as determined by the ground rules to conform to changes in the basket of securities comprising the Index so as to ensure that the composition and weighting of the securities comprising the relevant Property Index Tracker portfolio at all times reflects, as closely as reasonably possible, the composition and weighting of the securities comprising the Index.

The initial SAPY portfolio tracks the price and yield performance of the JSE/FTSE Africa Listed Property Index. (the SAPY index) As such, the SAPY portfolio affords both retail and institutional investors an opportunity to access the performance of the top twenty JSE listed real estate securities by investing in a single instrument namely a participatory interest in the proposed SAPY portfolio.

Technical Overview

FORMATION DATE:	25 Sep 2007
BENCHMARK: FTSE/JSE SA LISTED PROPERTY INDEX	
HOLDINGS:	20
UNIT HOLDERS:	1 546
ORIGINAL PRICE:	3554
PRICING SYSTEM:	Forward
INCOME DECL:	31/03,30/06,30/09,31/12
INCOME PAY:	21/04,21/07,21/10,21/01
MINIMUM LUMP SUM:	R1 000
MINIMUM MONTHLY:	R300

Dividend Yield

Vertical lines represent dividends.



Property Index Tracker or PropTrax is the first property ETF in South Africa. It gives the investor access and good exposure to the high performance real estate sector, without charging huge fees, and maintaining low entrance levels. PropTrax offers the investor ease of professional management to secure the top twenty South African real estate listed securities.

Investors in the SAPY portfolio diversify their risk within the listed real estate sector, (although they are only holding a single instrument) given the exposure of the SAPY portfolio to a broad range of underlying securities. In addition, investors enjoy quarterly distributions, even though certain of the securities included in the SAPY index may only pay distributions on a six-monthly basis.

It is expected that participatory interests in the SAPY portfolio will trade with a higher degree of liquidity than certain of the securities included in the SAPY index, making it a more attractive prospect for investors who may not otherwise have considered the listed real estate sector.

Dividend History (last 3 years)

31 MAR 2013	76.40c
31 DEC 2012	76.40c
30 SEP 2012	76.40c
30 JUN 2012	35.45c
31 MAR 2012	76.21c
31 DEC 2011	54.35c
30 SEP 2011	78.46c
30 JUN 2011	35.30c
31 MAR 2011	93.69c
31 DEC 2010	30.92c
30 SEP 2010	93.91c
30 JUN 2010	32.25c
31 MAR 2010	92.28c

Fees

TER (30 SEP 2012):	1.09%
PERF FEE TER (30 SEP 2012):	0%
ANNUAL:	0.86%
PERFORMANCE:	n/a

Top Holdings on 31 Mar 2013

SHARE	No Units	Value (Rm)	% of Fund
GROWPNT	1 002 543	27.02	24.51%
REDEFINE	1 569 021	15.53	14.09%
CAPITAL	822 281	9.17	8.32%
RESILIENT	139 166	7.58	6.88%
HYPROP	91 426	6.69	6.07%
Totals		65.99	59.87%

Management

Property Index Tracker Managers (Pty) Ltd

Comparative Performance

Profile page:

Continued/...

For More Information on ETFs/ETNs

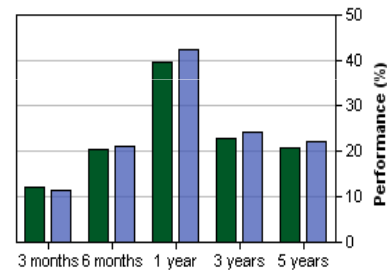
have considered the listed real estate sector.

Management

Property Index Tracker Managers
(Pty) Ltd

Comparative Performance

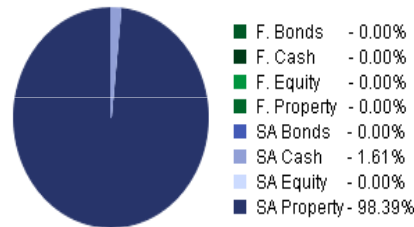
■ South African - Real Estate - General
■ Property Index Tracker SAPY



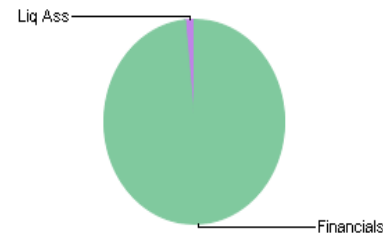
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Asset Allocation

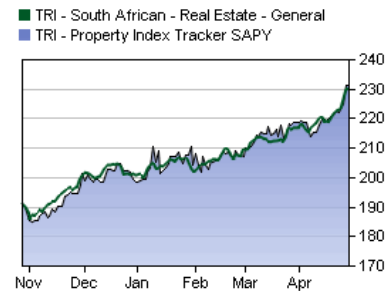


Sectoral Breakdown



Property Index Tracker SAPY

PRICE



Latest NAV 29 Apr 2013 **5 625.00c**
NAV on 29 Oct 2012 **4 760.00c**

PERFORMANCE TO 29 APR 2013

R1 000 LUMP SUM (NAV-NAV INCL. DIVIDENDS)			
PERIOD	Return	Value(R)	Inflation(R)
3 MONTHS	11.46%	1 114.60	1 027.00
6 MONTHS	21.12%	1 211.30	1 039.20
1 YEAR	42.57%	1 425.70	1 062.00
3 YEARS	24.06%	1 909.20	1 173.50
5 YEARS	22.24%	2 729.30	1 346.10

R100 PER MONTH (NAV-NAV INCL. DIVIDENDS)

PERIOD	Return	Value(R)	Inflation(R)
3 MONTHS	13.16%	327.10	n/a
6 MONTHS	22.73%	684.77	n/a
1 YEAR	35.81%	1 460.26	n/a
3 YEARS	25.92%	5 478.49	n/a
5 YEARS	23.16%	11 346.69	n/a

* VALUES FOR PERIODS GREATER THAN ONE YEAR ARE ANNUALISED

Profile page:

Top Performance Available from the Selection of ETFs & ETNs Available on the JSE

etfSA.co.za Monthly Performance Survey Best Performing Index Tracker Funds – 30 April 2013 (Total Return %)*

Fund Name	Type	5 Years (per annum)	Fund Name	Type	3 Years (per annum)
Prudential Property Enhanced	Unit Trust	23,67%	Satrix INDI 25	ETF	26,75%
Proptrax SAPY	ETF	22,37%	Prudential Property Enhanced	Unit Trust	25,41%
Satrix INDI 25	ETF	18,25%	Proptrax SAPY	ETF	24,40%
Satrix DIVI	ETF	16,99%	NewFunds eRAFI INDI 25	ETF	19,79%
		2 Years (per annum)			1 Year
Proptrax SAPY	ETF	28,90%	Proptrax SAPY	ETF	43,35%
DBX Tracker MSCI USA	ETF	27,48%	Prudential Property Enhanced	Unit Trust	41,98%
Satrix INDI 25	ETF	26,57%	DBX Tracker Eurostoxx 50	ETF	40,17%
NewFunds eRAFI FINI 15	ETF	25,19%	Proptrax Ten	ETF	39,99%
		6 Months			3 Months
DBX Tracker MSCI Japan	ETF	34,50%	Proptrax Ten	ETF	16,81%
Proptrax SAPY	ETF	22,69%	DBX Tracker MSCI Japan	ETF	16,20%
Proptrax Ten	ETF	22,08%	Prudential Property Enhanced	Unit Trust	15,57%
Standard Bank Palladium Linker	ETN	22,07%			

Source: Profile Media FundsData (30/04/2013)

* Includes reinvestment of dividends.

My Profile - Watchlist

Manage Watch Lists	Performance Chart	Rank Funds	Consistency of Performance	Risk Return
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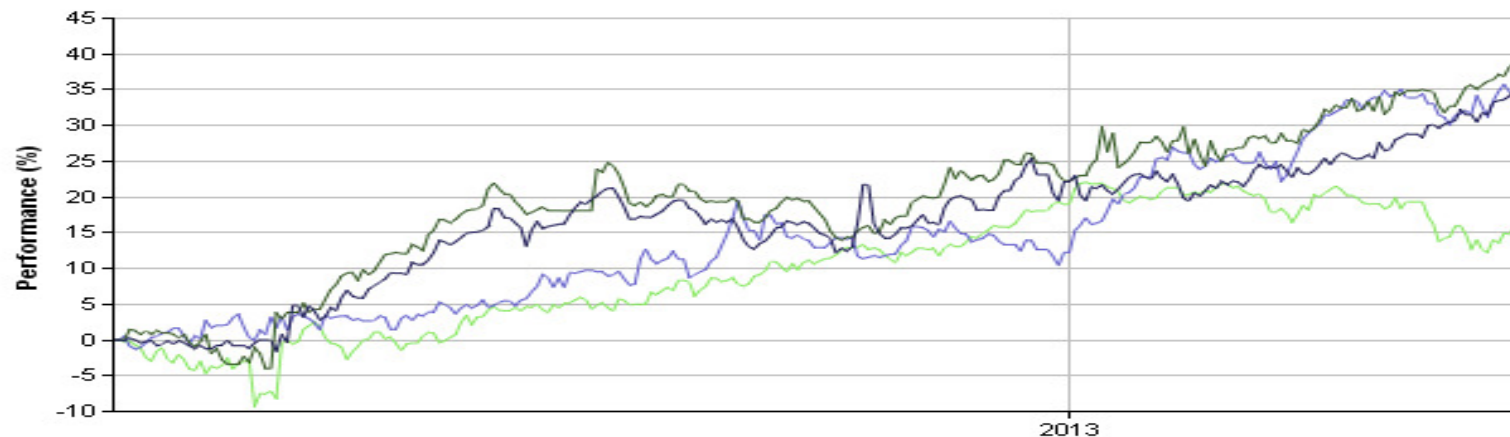
Performance for Watch List: proptrax

Periodic performance data as at 29 Apr 2013

Fund	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
Property Index Tracker Top Ten %	7.11%	13.27%	20.03%	39.05%			
Property Index Tracker SAPY %	5.73%	11.46%	21.13%	42.57%	28.54%	24.06%	22.24%
db x-trackers MSCI USA Index ETF %	-0.66%	5.24%	17.77%	32.37%	27.43%	18.17%	7.27%
Nedbank BetaBeta Equally Weighted Top40 ETF %	-3.13%	-4.74%	4.10%	15.94%	13.29%	14.93%	

Values for periods greater than one year are annualised.

■ Property Index Tracker Top Ten %
 ■ Property Index Tracker SAPY %
 ■ db x-trackers MSCI USA Index ETF %
 ■ Nedbank BetaBeta Equally Weighted Top40 ETF %



How To Invest In ETFs/ETNs

Through Stockbrokers	Through Investment Plans (etfSA.co.za)
<ul style="list-style-type: none"> • Minimum investment amounts often apply. 	<ul style="list-style-type: none"> • R1000 lump sum.
<ul style="list-style-type: none"> • No debit orders. 	<ul style="list-style-type: none"> • R300 debit order.
<ul style="list-style-type: none"> • Brokerage minimum charge R85-R125 per transaction. 	<ul style="list-style-type: none"> • Brokerage 0,1% of investment value.
<ul style="list-style-type: none"> • Annual custodian fees – R600-R700. 	<ul style="list-style-type: none"> • Included in annual management fee (0,45% to 0,8%).
<ul style="list-style-type: none"> • Advisory fees 1% per annum. 	<ul style="list-style-type: none"> • n/a

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% - 0,8% 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.

Visit www.etfsa.co.za

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