

# **Investing in Exchange Traded Products (ETPs) - Focus on Deutsche Bank DBX Tracker Funds**

**Presentation at:  
JSE / etfSA Education Seminar  
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# Agenda

- **What are ETPs?**
- **What are the advantages of ETPs?**
- **Where to get information.**
- **Why you should be using ETPs.**
- **How to use and access them.**

# What Are Exchange Traded Products (ETPs)?

- They are securities traded on the JSE, just 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 2013) FTSE/JSE Top 40 Index			
	Market Cap Weighted (%)		Market Cap Weighted (%)
African Rainbow Minerals	0,31	Compagnie Fin Richemont	10,56
Anglo Platinum Ltd	0,54	Discovery	0,50
Anglo American Plc	6,81	Exxaro Resources Ltd	0,44
Anglo Gold Ashanti Ltd	1,05	Firststrand Ltd	2,04
Aspen Pharmacare Hldgs	1,51	Gold Fields Ltd	0,72
Assore Ltd	0,28	Growthpoint Properties Ltd	0,90
Barclays Africa Group	0,98	Impala Platinum Holdings	1,33
BHP Billiton Plc	13,16	Imperial	0,78
Bidvest Group Ltd	1,41	Investec Ltd	0,33
British American Tobacco	3,13	Investec Plc	0,81

# Components of FTSE/JSE Top 40 Index

Index Weights – Basket of Constituents (as at September 2013) FTSE/JSE Top 40 Index			
	Market Cap Weighted (%)		Market Cap Weighted (%)
Intu Properties Plc	0,73	RMB Holdings Ltd	0,70
Kumba Iron Ore Ltd	0,55	SABMiller Plc	10,38
Mediclinic International Ltd	0,64	Sanlam Ltd	1,87
Massmart	0,37	Sasol Ltd	5,44
Mondi Ltd	0,42	Shoprite Holdings Ltd	1,52
Mondi Plc	1,29	Standard Bank Group Ltd	2,99
MTN Group	7,31	Steinhoff International Hldg	1,31
Naspers Ltd -N-	7,53	Tiger Brands Ltd	0,96
Nedbank Group Ltd	0,84	Truworths	0,78
Old Mutual Plc	2,93	Vodacom Group	0,85
Remgro Ltd	1,93	Woolworths Holdings Ltd	1,09

# 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

## ■ **Low Costs**

- ❑ You buy an entire portfolio, but only pay trading costs once.
- ❑ Average management costs (Total Expense Ratios – TERs) for ETPs one-quarter to one-third those of actively managed unit trusts.
- ❑ No Securities Transfer Tax (STT) payments.
- ❑ Low cost platforms available for ETPs.

# The Case for ETPs

- **Tax efficient**

- No STT
- Most pay dividends quarterly – a 15% dividend withholding tax already deducted
- Capital gains (13% for individuals) only applicable when you sell your ETP securities.

- **Tradable**

- Trade all day on the JSE

- **Safety**

- Settlement, transfer, registration, takes place through the electronic JSE/STRATE register, which guarantees individual holdings.
- All ETPs are listed public companies so are regulated and governed by the JSE.
- Most ETPs are also Collective Investment Schemes directly regulated by the Financial Services Board (FSB).



# The Case for ETPs

## ■ **Transparent**

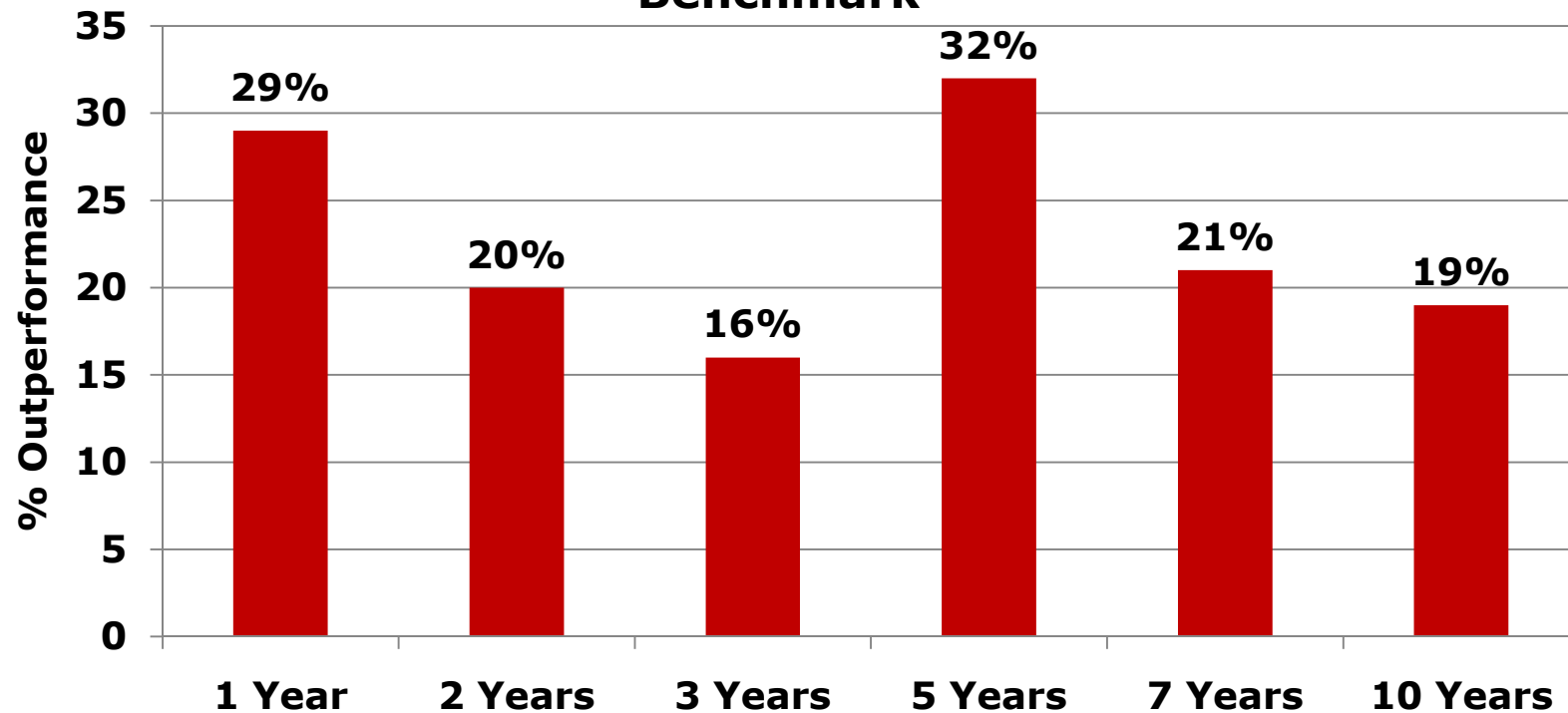
- ❑ Underlying portfolio holdings published daily
- ❑ Open price discovery on the JSE
- ❑ Passive mandates generate greater certainty and clarity for investors.

## ■ **Diversification**

- ❑ Purchasing a portfolio of top quality index shares:
  - spreads risk
  - reduces volatility
  - enhances performance potential.

# 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 2013)

# What ETFs/ETNs to buy?

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

Continued/...

# What ETFs/ETNs to buy? (continued)

<b>Foreign Equity Markets</b>	Track main offshore indices in rands (rand denominated assets).	<ul style="list-style-type: none"> <li>• DBX Tracker MSCI World ETF</li> <li>• DBX Tracker MSCI USA ETF</li> <li>• DB Emerging Markets ETN</li> </ul>
<b>"Smart" ETFs</b>	Track indices with a "Theme" or "Style".	<ul style="list-style-type: none"> <li>• Satrix DIVI ETF</li> <li>• Satrix RAFI 40 ETF</li> <li>• Nedbank BGreen ETF</li> </ul>
<b>Other Assets</b>	Track physical commodity prices, currencies, etc.	<ul style="list-style-type: none"> <li>• NewGold ETF, NewPlat ETF</li> <li>• Standard Bank Platinum-Linker or Palladium-Linker ETNs</li> </ul>

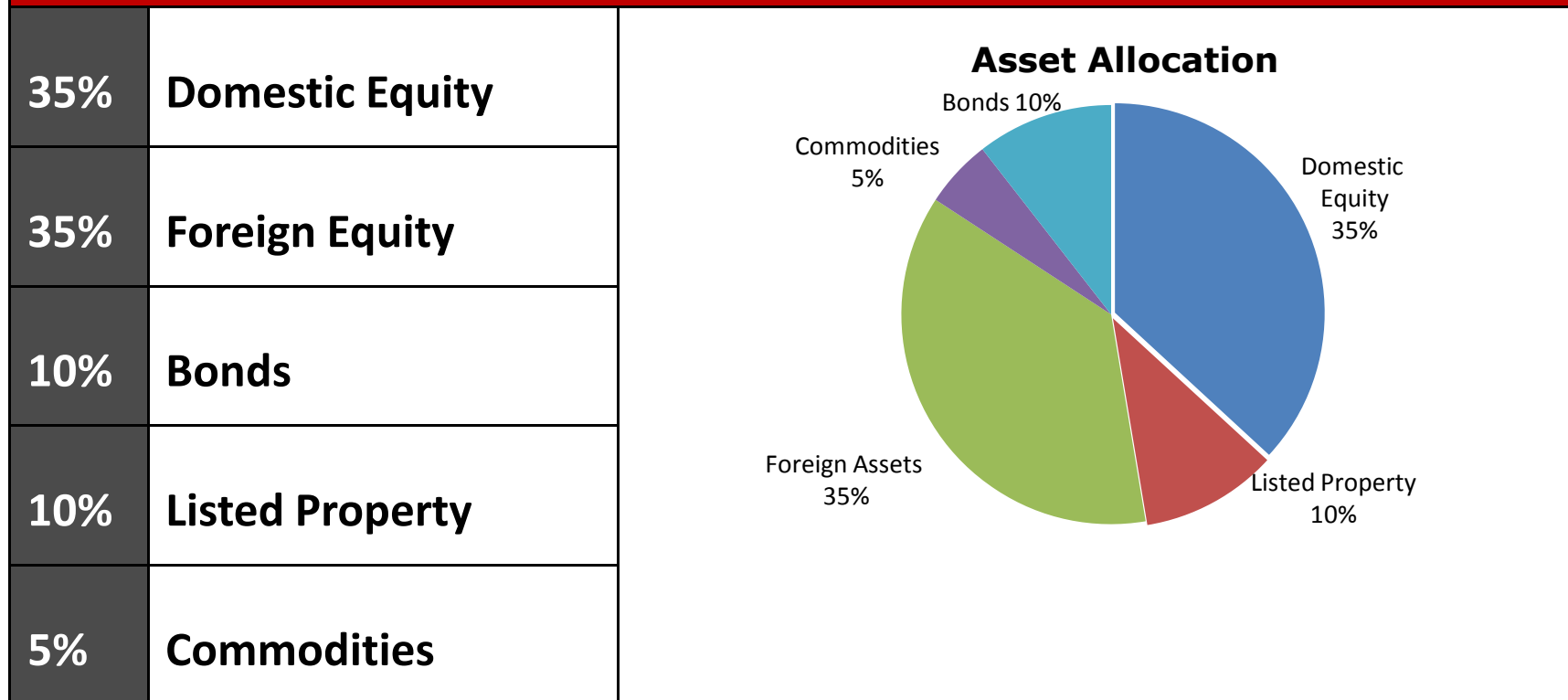
# Sample Portfolio

(R1000 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	14,88%	45 524
JSE Sectors	Satrix INDI 25 ETF	27,55%	56 322
Bonds	RMB Inflation-X ETF	7,74%	40 638
Property	Proptrax SAPY ETF	15,13%	45 779
Foreign Equity	DBX Tracker MSCI USA ETF	24,80%	53 857
<b>Total</b>			<b>251 120</b>
*	<i>Total return with dividends reinvested over past 3 years.</i>		
**	<i>Current value (9 October 2013) for R1000 per month invested in each ETF.</i>		
Source:	<i>etfSA.co.za / Profile Data (9/10/2013).</i>		
Note:	<i>Historic returns may not be replicated in future.</i>		

# Balanced Portfolio of ETPs

## Asset Allocation



# Balanced Portfolio of ETPs (continued)

Asset Allocation (Balanced) ETP Portfolios				
Asset Sector	ETP Fund	Asset Allocation	% Total Return Over 3 Years	Alternative ETPs to Consider
<b>1. Domestic Equity Market</b>		(%)	(% p.a.)	
<b>Broad Market Exposure (Top 40)</b>	RMB Top 40	10%	17,81%	Satrix 40 / Satrix SWIX ETF BetaBeta EWT 40 ETF
<b>JSE Sectors</b>				
Industrial	Satrix INDI 25 ETF	15%	29,15%	NewFunds eRAFI INDI 25 ETF
Financial	NewFunds eRAFI FINI 25 ETF	10%	19,65%	Satrix FINI 15 ETF
<b>2. Foreign Markets</b>				
World Markets	DBX Tracker World ETF	15%	25,27%	-
USA	DBX Tracker USA ETF	15%	29,75%	DBX Tracker Eurostoxx 50 ETF
Emerging Markets	DB Emerging Markets ETN	5%	13,48%	DB China ETN / DB Africa ETN
<b>3. Local Bonds</b>				
Inflation-Linked Bonds	RMB Inflation-X ETF	10%	9,57%	Investec zGOVI ETF / NewFunds ILBI ETF
<b>4. Listed Property</b>				
Listed Property	Proptrax SAPY ETF	10%	16,15%	Proptrax Ten ETF
<b>5. Alternative Assets</b>				
Commodities	Standard Bank Palladium-Linker ETN	5%	20,69%	NewGold ETF / NewPlat ETF
<b>Average portfolio performance (per year)</b>		<b>100%</b>	<b>20,65%</b>	

Note: Historic % Total Returns Performance may not be repeated in future.

Source: etfSA.co.za / ProfileData (30 September 2013).

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# Comparative Returns for Balanced Portfolios – Total Returns Over 3 Years

	<b>% per Annum</b>
<b>High Equity “Balanced” Unit Trust Funds</b>	
Average	13,2%
<b>Flexible “Balanced” Unit Trust Funds</b>	
Average	14,26%
<b>etfSA Balanced ETP Portfolio</b>	20,65%
<i>Source: Quarterly Unit Trust Survey (June 2013) ASISA / ProfileData.</i>	



# Information on ETFs/ETNs



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**ETFs** | .00%) | [ETF db x-trackers DJ Euro Stoxx 50: 4037](#) ↑ 22.00 (0.55%) | [ETF db x-trackers FTSE 100: 10240](#) ↑ 65.00 (0.64%) | [ETF db x-t](#)

**ETNs** | 00%) | [ETN - Deutsche Bank MSCI China TRI: 3773](#) = 0.00 (0.00%) | [ETN - Deutsche Bank MSCI Emerging Markets TRI: 4080](#) = 0.00 (0.00%)

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## Using Passive ETPs?

August 2013 - Monthly etfSA.co.za

- ▶ South African ETF, ETN & Unit Trust Index Tracking Performance Survey

July 2013 - Monthly etfSA.co.za South

- ▶ African ETF, ETN & Unit Trust Index Tracking Performance Survey

What are the comparative costs of using investment plan platforms rather than online stockbrokers to transact ETPs?

- State of the South African Exchange
- ▶ Traded Product Industry Review - 2nd Quarter 2013

June 2013 - Monthly etfSA.co.za

- ▶ South African ETF, ETN & Unit Trust Index Tracking Performance Survey

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- ▶ Proptax, Satrix, Standard Commodity Linkers
- ▶ Transact online all ETFs/ETNs
- ▶ Low costs
- ▶ Easy Access & Switching
- ▶ From R300 per month
- ▶ From R1000 for lump sums

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**EVERYTHING YOU NEED TO KNOW ABOUT ETFs & ETNs**



# How To Invest In ETFs/ETNs

Through Stockbrokers	Through Investment Plans (etfSA.co.za Investor Plan / Deutsche Bank Investment Plan)
<ul style="list-style-type: none"> <li>• Minimum investment amounts often apply.</li> </ul>	<ul style="list-style-type: none"> <li>• R1000 lump sum.</li> </ul>
<ul style="list-style-type: none"> <li>• No debit orders.</li> </ul>	<ul style="list-style-type: none"> <li>• R300 debit order.</li> </ul>
<ul style="list-style-type: none"> <li>• Brokerage minimum charge R85-R125 per transaction.</li> </ul>	<ul style="list-style-type: none"> <li>• Brokerage 0,1% of investment value.</li> </ul>
<ul style="list-style-type: none"> <li>• Annual custodian fees – R600-R700.</li> </ul>	<ul style="list-style-type: none"> <li>• Included in annual management fee (0,40% to 0,70%).</li> </ul>
<ul style="list-style-type: none"> <li>• Advisory fees 1% per annum.</li> </ul>	<ul style="list-style-type: none"> <li>• n/a</li> </ul>

# 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.

**Visit [www.etfsa.co.za](http://www.etfsa.co.za)**

# Contact details

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