

# ETF Investments

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**etfSA.co.za Seminar**  
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The Home of Exchange Traded Funds®



The Home of Retirement Funds

# What Are ETFs?

- They are securities (shares) listed on the JSE that trade like any normal share on the Main Board.
- Instead of giving access to the performance of **single company**, they provide **multi-company** investment exposure.
- The portfolios offered by ETFs are the components of an **index** (passive investment) and not an **actively managed** investment portfolio.

**So, ETFs are Index Trackers.**

# What is an Index?

Index Weights – Basket of Constituents (as at May 2019)  
FTSE/JSE Top 40 Index

	Market Cap Weighted (%)		Market Cap Weighted (%)
Absa Group Ltd	1,91	Compagnie Fin Richemont	9,52
Anglo Ashanti	1,18	Discovery	0,80
Anglo American Plc	6,11	FirstRand Ltd	3,34
Anglo American Platinum Ltd	0,70	Foshini Group	0,65
Aspen Pharmacare Hldgs	0,59	Goldfields	0,78
BHP Billiton Plc	12,11	Growthpoint Properties Ltd	1,14
BID Corp Ltd	1,65	Investec Ltd	0,43
Bidvest Ltd	1,12	Investec Plc	0,95
British American Tobacco	2,30	Mondi Ltd	0,63
Capitec	1,15	Mondi Plc	1,95
Clicks Group	0,78	Mr Price Group	0,77

# What is an Index? (continued)

Index Weights – Basket of Constituents (as at May 2019) FTSE/JSE Top 40 Index			
	Market Cap Weighted (%)		Market Cap Weighted (%)
MTN Group	2,97	RMB Holdings Ltd	0,97
MultiChoice Group	0,90	Sanlam Ltd	2,13
Naspers Ltd -N-	22,45	Sappi Ltd	0,54
NEDCOR	1,63	Sasol Ltd	3,50
NEPI Rockcastle PLC	0,67	Shoprite Holdings Ltd	1,31
Netcare Ltd	0,46	Spar Group Ltd	0,61
Old Mutual Plc	1,67	Standard Bank Group Ltd	4,11
PSG Group	0,65	Tiger Brands Ltd	0,58
Redefine Properties	0,80	Vodacom Group	1,24
Remgro Ltd	1,54	Woolworths Holdings Ltd	0,72

# Are Indices Worthwhile?

- They are **well diversified**.
- They typically only cover blue chip stocks (**reduces volatility and risk**).
- The index **always includes** only the best shares in the market or sector, **so is a high quality portfolio**.
- You only pay brokerage and JSE charges **once** and not for the whole portfolio.
- They are **transparent** – you always know what is in the index.

# Indices & ETFs Cover All Investment Sectors and Options

<b>Local Shares</b>	<ul style="list-style-type: none"><li>• Satrix Top 40, Ashburton Top 40</li><li>• CoreShares Capped Top 50</li><li>• Satrix Capped INDI, FINI 15, etc.</li></ul>
<b>Foreign Shares</b>	<ul style="list-style-type: none"><li>• Sygnia Itrix USA, Japan, World, etc.</li><li>• DB China, Emerging Markets</li><li>• Satrix World, S&amp;P 500, Nasdaq</li></ul>
<b>Listed Property</b>	<ul style="list-style-type: none"><li>• PropTrax Ten, PropTrax SAPY</li><li>• Satrix Property</li><li>• CoreShares Global Property</li></ul>
<b>Bonds</b>	<ul style="list-style-type: none"><li>• NewFunds GOVI, ILBI, etc.</li><li>• Ashburton World Government Bond</li><li>• Stanlib Global Govt. Index Bond</li></ul>
<b>Commodities</b>	<ul style="list-style-type: none"><li>• NewGold</li><li>• Standard Bank Africa Rhodium, Platinum, Palladium</li><li>• Standard Bank Oil, Copper, Corn, Wheat, etc.</li></ul>
<b>Smart Beta (Factor or Style)</b>	<ul style="list-style-type: none"><li>• NewFunds Value, Low Volatility, Momentum.</li><li>• Satrix DIVI Plus, CoreShares DivTrax</li><li>• Satrix RAFI, NewFunds S&amp;P GIVI</li></ul>

# Why Simple is Smart

## SOUTH AFRICA

PERCENTAGE OF SOUTH AFRICAN EQUITY FUNDS THAT UNDERPERFORMED THE S&P SOUTH AFRICA DSW

*Data as of Dec 29, 2017*

FIVE-YEAR

93.23%

THREE-YEAR

96.27%

ONE-YEAR

95.92%

[GET STATS FOR OTHER MARKET SEGMENTS >](#)

93.23%

OF FUNDS UNDERPERFORMED THE S&P SOUTH AFRICA DSW

6.77%

OF FUNDS OUTPERFORMED THE S&P SOUTH AFRICA DSW

**Passive outperforms active 93% of the time in SA.**

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# Investing in ETFs

- Can set up discretionary investments from R1000 per ETF, or R150 per month per ETF in **etfSA Investor Plan**.
- Can do **Tax Free Investments** for similar amounts using ETFs, either in specially chosen ETF portfolios or in individual ETFs.
- ETF investments giving access to portfolios of shares are ideal for **Investor Clubs/Stokvels/Group Investments**.
- Can use ETFs to construct low cost diversified Regulation 28 compliant portfolios for **Retirement Annuity Investments**.



# ETF Investor Plan

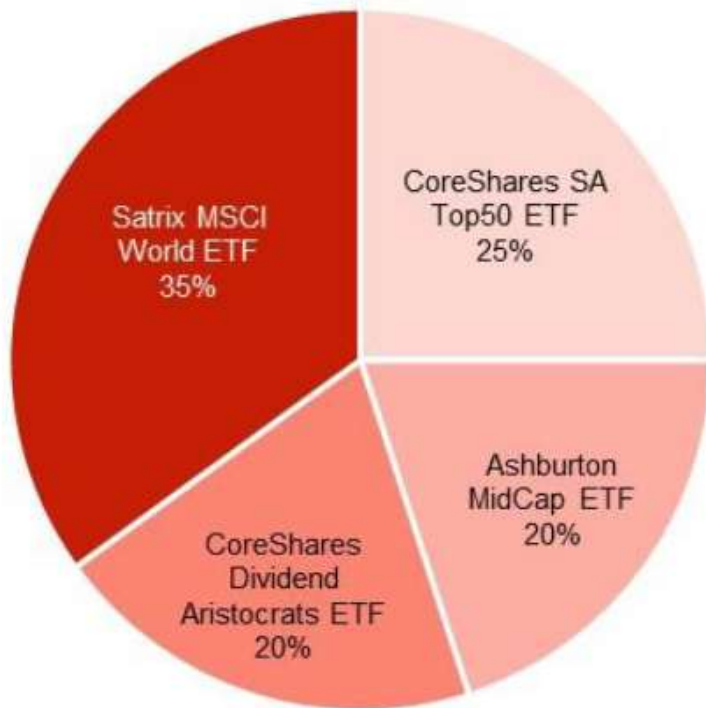
- Accommodates small investments, including debit orders, in any of the 100 plus ETFs/ETNs listed on the JSE.
- You need to select your own ETFs.
- You can change your ETF choice, or investment amounts, or sell your ETFs, at any time, online.
- etfSA.co.za cannot offer financial advice on such accounts.
- Fees: 0,65% per annum on size of the investment, plus you pay all brokerage and transaction fees (0,08%).
- Typically works out cheaper than using stockbrokers and online systems where much higher brokerage rates are charged, for each and every transaction.

# ETF Tax Free Accounts

- Unlike etfSA Investor Plan where tax is paid on all dividends and interest, or any capital gains.
- **Tax Free Investment Accounts:**
  - Means no tax is paid on:
    - Dividends
    - Interest
    - Capital gains.
- Limited to R33 000 per year (R2750 per month) for any individual SA citizen, but you can invest for all family members, including minors.
- You can withdraw funds at any time, but staying invested pays off in the long-term.

# Long-Term Investing in ETF Tax Free Equity Portfolio

## Portfolio Structure



## Historical Investment Returns



Average long-term return p.a. (since 2005): **13,6%**

# 10 Year Returns for ETF Tax Free Equity Accounts

	<b>Value in 10 Year's Time</b>
R33 000 lump sum (once off)	R148 960
R33 000 per year for 10 years	R819 260
R2 750 per month for 10 years	R554 000

# etfSA Retirement Annuity Funds



The Home of Retirement Funds

# Using ETFs in Retirement Annuity Funds

etfSA RA Fund offers **five** different portfolios (using only ETFs in their construction).

<b>Wealth Protector Portfolio</b>	Cash only	<u>Low risk</u> , but capital growth also low.
<b>Wealth Conservator Portfolio (CPI +3%)</b>	Income focus	High income but with some capital growth. <u>Moderate risk</u> .
<b>Wealth Builder Portfolio (CPI +5%)</b>	Balanced portfolio	Multi-asset tactical asset allocation strategy. <u>Medium risk</u> .
<b>Wealth Enhancer Portfolio (CPI +7%)</b>	Balanced portfolio	Aggressive strategy. <u>High risk</u> .
<b>Wealth Default Portfolio</b>	Fixed strategic asset allocation	Rules based multi-asset <u>moderate risk</u> .

# Comparable Costs

## RA Industry Costs – Passive Funds

### Annual Fees

<b>etfSA RA Fund</b>	<b>1,00%</b>	(1,05% with VAT)
Easy Equities RA	1,02%	(1,07% with VAT)
Sygnia RA	1,51%	
10X RA	1,77%	
Satrix RA	1,89%	
<i>Source: Survey in Sunday Times (February 2019).</i>		

# What etfSA RA Fund Offers

- Lowest cost multiple ETF portfolios, fully Regulation 28 compliant.
- Personal service – financial advice and consultation part of 1% annual fee.
- Will arrange transfer of retirement fund from current provider at no cost.
- Full transparency – daily access online to your investment values and benefits.
- New investments from R5000 for lump sum (R1 000 lump sums thereafter) or R300 per month.



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# Contact Details

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