

Investing in ETPs

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Focus on ABSA Capital
ETFs/ETNs
3rd September 2012

The Home of Exchange Traded Funds[®]



Agenda

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

Exchange Traded Funds (ETFs)

- **Typically track the performance of an index.**
- **They match the returns of the index by physically holding the securities that are included in the index, in exactly the numbers and weightings stipulated by the index compilers.**

Components of Absa Capital NewFunds FTSE/JSE SWIX Top 40 Index

Share	Weight (%)	Share	Weight (%)
African Bank Inv Ltd	1,11%	Compagnie Fin Richemont	2,62%
Anglo American PLC	5,41%	Capital Shop Century Group PL	0,54%
Anglo American Plat Ltd	1,44%	Exxaro Resources Ltd	0,77%
Anglogold Ashanti Ltd	1,25%	FirstRand Ltd	4,25%
Aspen Pharmacare Hldgs Ltd	1,54%	Gold Fields Ltd	0,86%
African Rainbow Minerals Ltd	0,53%	Growthpoint Prop Ltd	1,52%
Absa Group Ltd	1,91%	Harmony GM Co Ltd	0,63%
Assore Ltd	0,49%	Impala Platinum Hldgs Ltd	2,36%
BHP Billiton PLC	5,53%	Investec Ltd	0,28%
British American Tobacco PLC	3,54%	Investec PLC	0,81%
Bidvest Ltd	2,26%	Imperial Holdings Ltd	1,37%

Continued/...

Components of Absa Capital NewFunds FTSE/JSE SWIX Top 40 Index (continued)

Share	Weight (%)	Share	Weight (%)
Kumba Iron Ore Ltd	1,98%	SABMiller PLC	6,22%
Mondi Ltd	0,31%	Standard Bank Group Ltd	6,64%
Mondi PLC	0,48%	Steinhoff International Hldgs Pref	1,66%
Massmark Holdings Ltd	0,69%	Shoprite Holdings	3,29%
MTN Group Ltd	10,08%	Sanlam Limited	2,84%
Nedbank Group Ltd	1,62%	Sasol Limited	6,27%
Naspers Ltd –N-	5,16%	Tiger Brands Ltd	1,31%
Old Mutual PLC	1,80%	Truworths Int Ltd	1,56%
Remgro Ltd	2,39%	Vodacom Group Ltd	1,58%
RMB Holdings Ltd	1,39%	Woolworths Holdings Ltd	1,62%

Exchange Traded Funds (ETFs) (continued)

- All assets are held in a ringfenced, insolvency remote trust, controlled by an independent Trustee.
- The Trust issues participatory interests (ETF securities) in the assets of the Trust, i.e. assets and liabilities are always exactly matched.
- ETFs are Collective Investment Schemes, subject to the regulations and rules of the CISCA Act, administered by the Financial Services Board (FSB).
- They differ from unit trusts in that they are listed and traded on the secondary market (JSE).
- ETFs are **passive** investments – provide the average returns of the market – through benchmarking indices and are not **active** investments.

Exchange Traded Notes (ETNs)

- Typically provide the total returns of an asset or asset class that can be accessed more efficiently through a futures or forward contract.
- ETNs often provide exposure to assets not otherwise easily accessible, i.e. commodities, currencies, asset baskets.
- The issuer of the ETN has the obligation to provide the total return of the asset tracked by the ETN.
- This obligation effectively makes ETN's debt instruments and therefore the creditworthiness of the issuer has to be taken into account.
- ETNs are securities traded on the JSE, but are not Collective Investment Schemes.

What Are The Advantages of ETPs?

Complete Transparency

- Listed on the JSE, pricing is done on the market and is know to every investor.
- Underlying portfolio is published daily.
- Settlement, trading, registration, transfer done through JSE/STRATE – fully centralised electronic, failsafe and cost effective.

Instant Liquidity & Tradeability

- ETPs are like normal shares. Can be bought or sold at any time through the JSE
- Market makers and open-ended structures cater for large trades.

Passive Investments

- An index always contains the premium shares/assets in the market.
- Index measures the average performance (BETA) of the market.

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What Are The Advantages of ETFs?

(Continued)

Diversification

Diversified portfolio.

- Provides full exposure to blue chip shares/ assets.
- Reduces risk/volatility.
- Ensures benchmark performance.
- Can be easily hedged.

Very Cost Efficient

- Average costs one-third of unit trusts.

Total Expense Ratios (TERs)

ETFs	Basis Points	
BIPS Top 40	0,21	(0,21%)
Stanlib Top 40	0,19	(0,19%)
BettaBeta EWT 40	0,39	(0,39%)
Satrix 40	0,45	(0,45%)
Average of all local ETFs	0,55	(0,55%)
Unit Trusts		
Average General Equity Funds	1,62	(1,62%)
Average Value Funds	1,75	(1,75%)
Average Growth Funds	1,54	(1,54%)
<ul style="list-style-type: none"> ▪ <i>Total Expense Ratios (TERs) measures the cost (annualised) of providing the product.</i> ▪ <i>TER is included in the price of the product.</i> <p><i>Source: ASISA – Quarterly Unit Trust Survey (June 2012).</i></p>		

Do Costs Matter?

Effect of Annual Management Fees

What the excess of Fund A over Fund B due to lower costs gets you



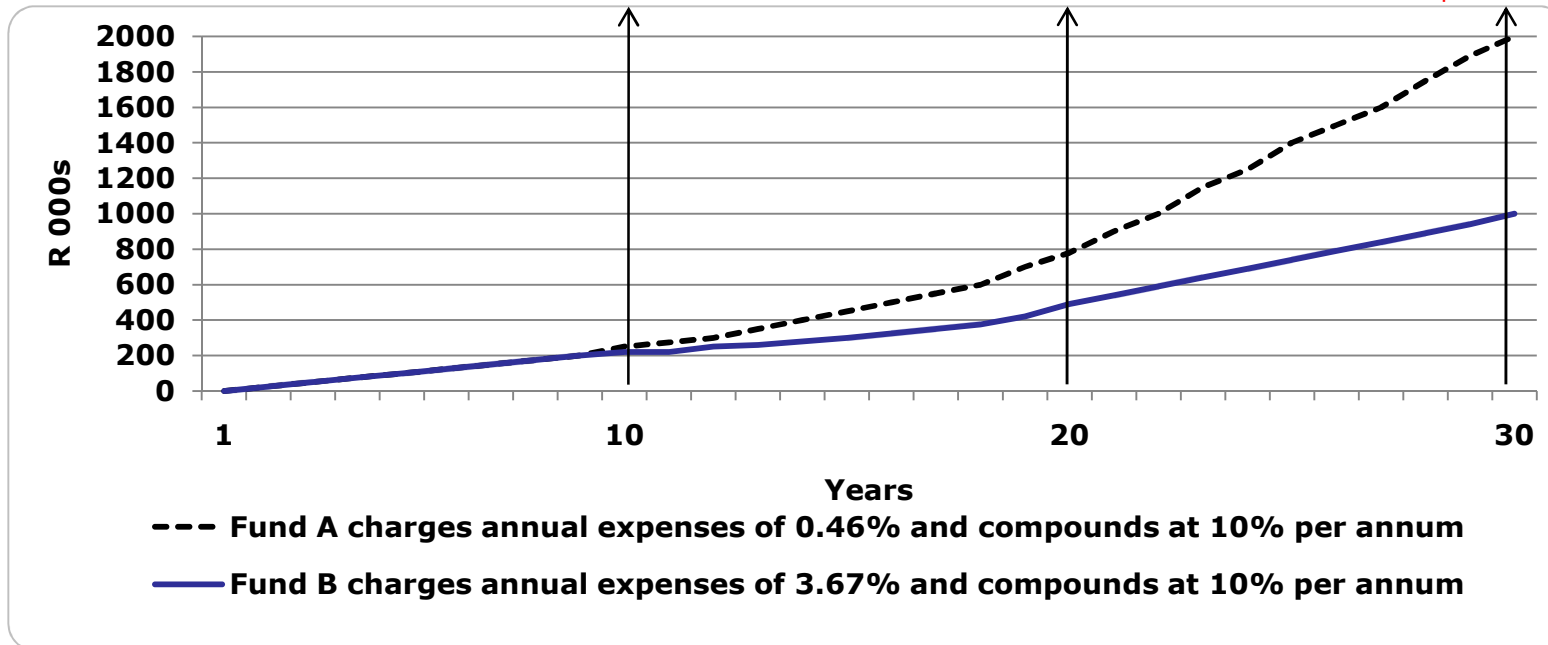
What you get after 10 years
2 years University tuition



What you get after 20 years
A new car



What you get after 30 years
A beach apartment



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).

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For More Information on ETFs/ETNs

Click on the "ETF or ETN" button



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NewGold

Domestic--Equity--Resources & Basic Industries

Focus and Objective

NewGold gives investors the opportunity to benefit from the performance of the value of Gold. This is achieved through the purchase of Gold Bullion Debentures, which are listed and traded through the JSE and are backed by physical Gold. This is the most efficient, cost effective and secure way for South African investors to invest in Gold.

The NewGold securities can be purchased through the NewGold Investment Plan as detailed opposite, or can be transacted with a JSE member stock broker, in which case, normal brokerage and other JSE transaction costs would apply, but no annual fees are payable.

Benefits of Investing in NewGold

- Gold is an effective portfolio diversifier;
- a store of value;
- a safe haven investment;
- a low risk investment compared to gold stocks;
- has positive track record in terms of returns, compared to the broad market;
- is an excellent rand hedge;
- as well as an excellent USD hedge.

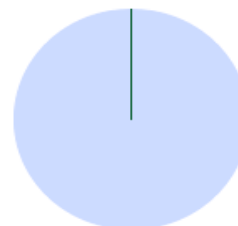
Technical Overview

FORMATION DATE:	1 Nov 2004
HOLDINGS:	1
UNIT HOLDERS:	n/a
ORIGINAL PRICE:	n/a
PRICING SYSTEM:	Forward
MINIMUM LUMP SUM:	R1 000
MINIMUM MONTHLY:	R300
RISK RATING:	Low

Fees

TER (30 JUN 2012):	0.40%
PERF FEE TER (30 JUN 2012):	0%
ANNUAL:	0.912%
PERFORMANCE:	n/a

Asset Allocation



F. Bonds	- 0.00%
F. Cash	- 0.00%
F. Equity	- 0.00%
F. Property	- 0.00%
SA Bonds	- 0.00%
SA Cash	- 0.00%
SA Equity	- 100.00%
SA Property	- 0.00%

Profile page:

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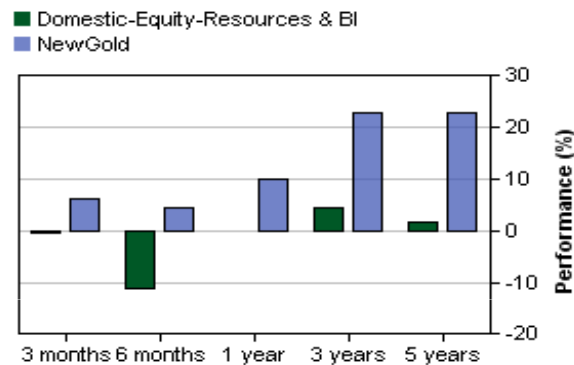
For More Information on ETFs/ETNs

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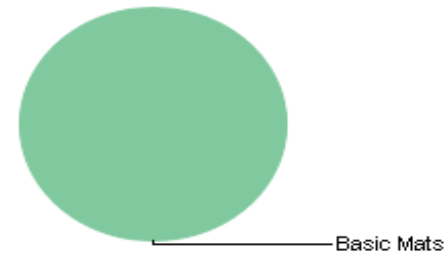
NewGold Securities

This fund is managed by NewGold Managers (Pty) Ltd

Comparative Performance



Sectoral Breakdown



NewGold

PRICE



PERFORMANCE TO 28 AUG 2012

R1 000 LUMP SUM (NAV-NAV INCL. DIVIDENDS)			
PERIOD	Return	Value(R)	Inflation(R)
3 MONTHS	6.32%	1 063.20	1 002.40
6 MONTHS	4.55%	1 045.50	1 023.90
1 YEAR	10.15%	1 101.50	1 046.40
3 YEARS	22.71%	1 847.80	1 143.80
5 YEARS	22.92%	2 805.90	1 356.40

R100 PER MONTH (NAV-NAV INCL. DIVIDENDS)

PERIOD	Return	Value(R)	Inflation(R)
3 MONTHS	5.32%	310.76	300.57
6 MONTHS	10.57%	638.10	n/a
1 YEAR	9.52%	1 263.71	n/a
3 YEARS	19.77%	4 940.99	n/a
5 YEARS	17.84%	9 720.83	n/a

* VALUES FOR PERIODS GREATER THAN ONE YEAR ARE ANNUALISED

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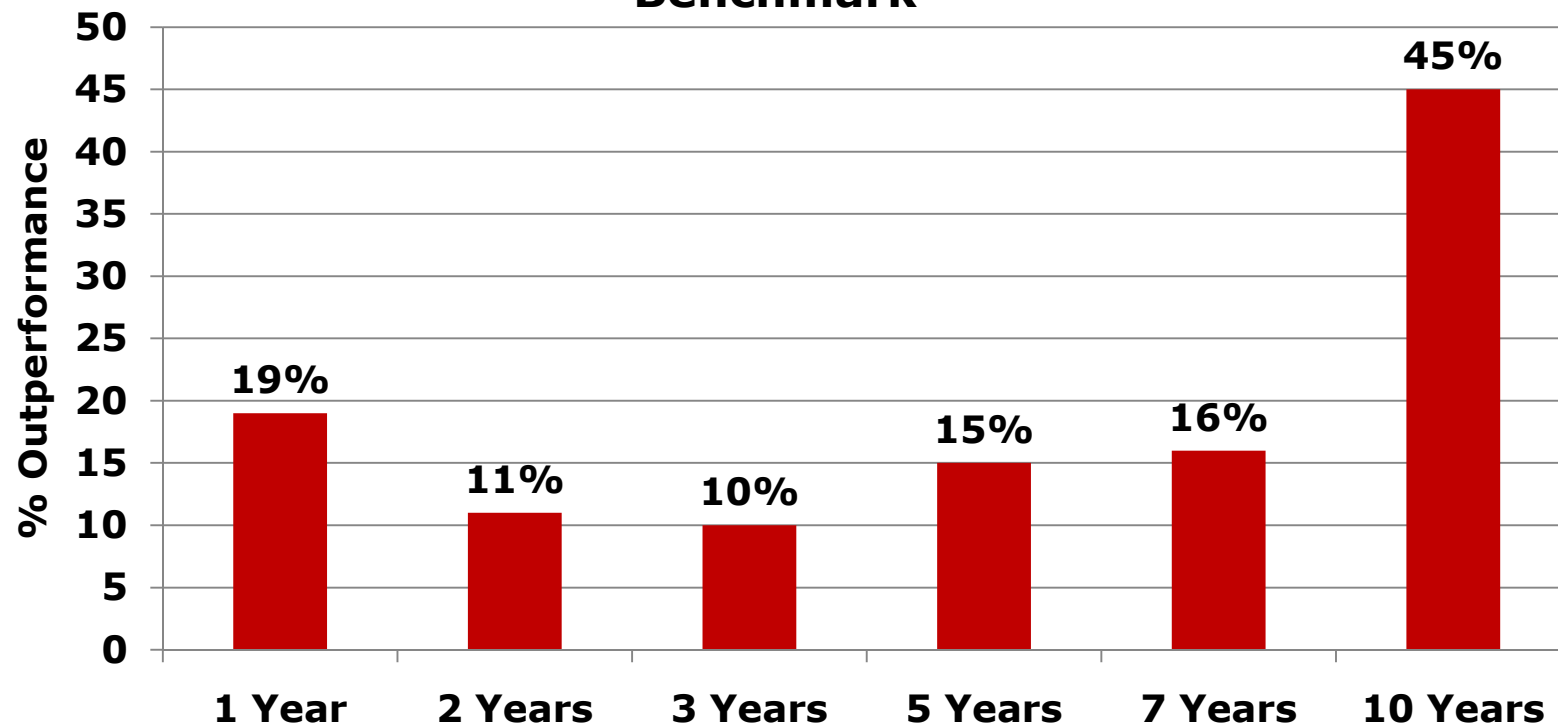


Using ETFs To Construct Portfolios

	Type of Exposure	ETP Product	Comments
1.	GENERAL EQUITY MARKET RETURNS – Beta products	Satrix 40/RMB Top 40 ETFs	<ul style="list-style-type: none"> Exposure to the Top 40 shares on the JSE (market cap weighted).
		BettaBeta EWT 40 ETF	<ul style="list-style-type: none"> Top 40 shares on the JSE with allocation of funds equally weighted.
		NewFunds SWIX Top 40 ETF	<ul style="list-style-type: none"> Shareholder weighted Top 40.
2.	OTHER ASSET CLASSES – diversification strategies	zShares GOVI ETF	<ul style="list-style-type: none"> Invests only in SA Government bonds.
		Proptrax SAPY or Proptrax TEN ETFs	<ul style="list-style-type: none"> Invests purely in JSE listed property shares.
		DBX Tracker MSCI USA ETF	<ul style="list-style-type: none"> Invests in Top 600 USA shares.
		NewGold ETF	<ul style="list-style-type: none"> Invests in gold bullion.
		Standard Bank Commodity-Linkers	<ul style="list-style-type: none"> Invest in commodities such as precious metals, minerals, softs, oil, etc.
3.	CAPITAL PRESERVATION – provide consistent returns with capital preservation	RMB Inflation-X ETF	<ul style="list-style-type: none"> Invests in RSA Inflation-linked bonds.
		PrefEx ETF	<ul style="list-style-type: none"> Invests in JSE listed preference shares, gives good dividend yields with capital preservation.
		NewFunds TRACI ETF	<ul style="list-style-type: none"> Money market ETF.
4.	THEMATIC PRODUCTS – promise of market outperformance	Satrix DIVI Plus ETF	<ul style="list-style-type: none"> Invests in portfolio of high dividend yield securities.
		Nedbank BGreen ETF	<ul style="list-style-type: none"> Green index has outperformed JSE All Share by some 40% over the past three years.
		NewFunds Equity Momentum ETF	<ul style="list-style-type: none"> Tracks an index of top JSE shares based on current price momentum.

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)

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etf How to invest

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