

What Are ETFs? Setting Up Investor Clubs/Stokvels & Using ETFs As The Investment Vehicle In Such Bodies

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What Are Exchange Traded Funds (ETFs)?

- **Securities listed and traded like normal shares on the JSE.**
- **But give access to a portfolio of shares rather than a single company.**
- **The ETF share portfolio matches exactly the components and weightings of an index or asset.**

The PrefEx ETF Index “Basket” (J251 Index)

Instrument Name	Weight in Index	Instrument Name	Weight in Index
Standard Bank Group Ltd Non-Redeem Pref	18,56%	Discovery Holdings Ltd Pref	3,04%
		Grindrod Ltd Pref	2,52%
Absa Bank Ltd Pref	15,39%	Africa Bank Inv Pref	2,35%
FirstRand Ltd B Pref	14,87%	Network Healthcare Cp	2,05%
Nedbank Ltd Pref	13,64%	Imperial Holdings Pref	1,55%
Investec Bank Pref	8,84%	Capitec Bank Hldgs Pref	0,96%
Investec Ltd Pref	5,15%	Investec PLC Pref	0,88%
Steinhoff Invest Hldg Pref	4,85%	Sasfin Holdings Ltd Pref	0,60%
PSG Financial Serv Pref	4,26%	Astrapak Ltd Pref	0,48%
			100,0%

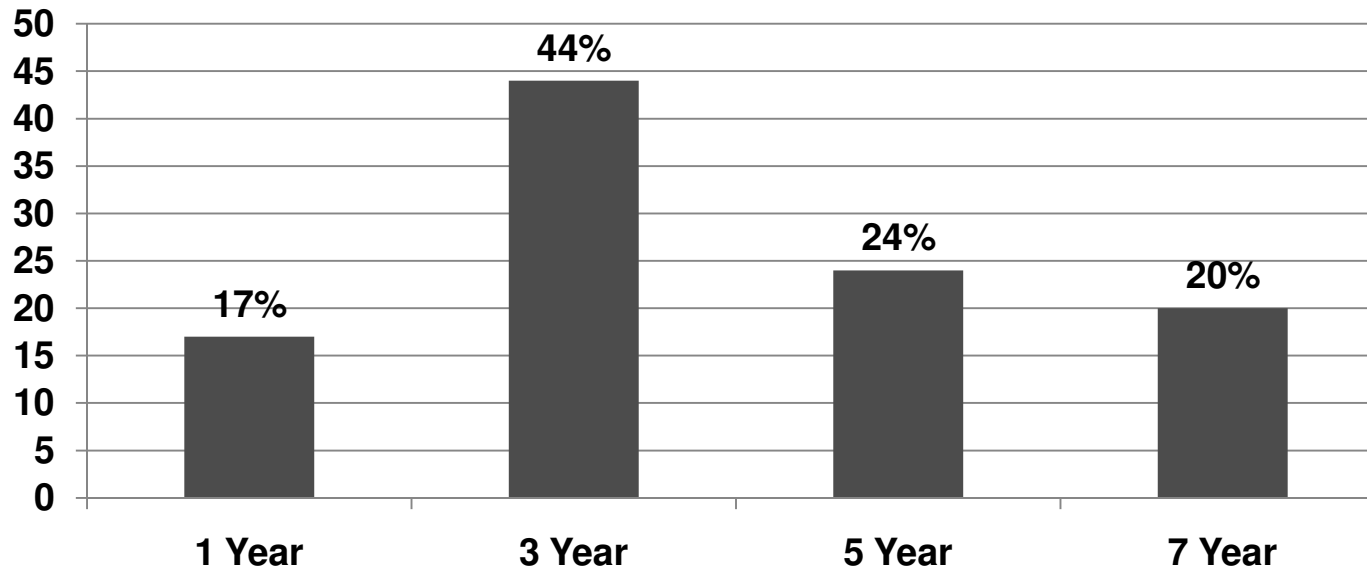
Features of ETFs

Passive Management

- Provides the total return of the benchmark or asset being tracked
- The benchmark provides the average return of the market

Active Funds Struggle to Beat the Average Return of the Markets

Percentage of Active Unit Trusts that Outperform the FTSE/JSE SWIX Index



Source: DRW - "The Quest for Alpha" (September 2011)

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Features of ETFs? (Continued)

Diversification	<ul style="list-style-type: none">• Investments in a basket of shares provides diversification which reduces risk (volatility) and should enhance performance.
Transparency	<ul style="list-style-type: none">• Portfolios always published (daily).• Prices of ETFs/ETNs made and published on the open market.
Liquidity	<ul style="list-style-type: none">• Trade on the secondary market.• Market makers offer liquidity.
Centralised Registration, Settlement and Clearance	<ul style="list-style-type: none">• Through the JSE/STRATE/CSDP electronic register.• No failed trades for more than 10 years.
Low Costs	<ul style="list-style-type: none">• TERs for most ETFs – between 0,2% to 0,45% per annum.• TERs for Unit Trusts – 1,50% to 1,60% per annum on average.

Investor Clubs / Stokvels

- **Cater for groups of investors/savers in a non-corporate structure.**
- **Club / Stokvel needs to have a structured framework in order to register for investment through a financial platform/stockbrokerage.**

Starting & Managing an Investor Club/ Stokvel

ADMINISTRATION REQUIREMENTS Required Documentation

1) Constitution / Founding Document

CIPC website link:

[http://www.cipro.co.za/registration_for_ms/coopregforms/fin%20services%20-%20stokvel%20v1\[1\].pdf](http://www.cipro.co.za/registration_for_ms/coopregforms/fin%20services%20-%20stokvel%20v1[1].pdf)

STOKVEL CONSTITUTION

The name of the stokvel is Wealth Creation Club.

Aims and Objectives

- To promote personal and group development and friendship among members.
- To save money and eventually look for business opportunities for the club.
- To contribute money for the following:
 1. Bonds for members through Bond a Property
 2. Payday loans for members through Loans Acceptable
 3. Buy vehicles for Rent to Own vehicle plan through CountryWide Car Rental

Membership

- Membership per club will be limited to 150 members (number of members).
- Members will supply the club with their personal details (ID number, date of birth and residential address).
- Members must obey the club constitution.
- Should a member die, his or her family members will not automatically become members of the club.

Stokvel Executive

The executive committee will consist of the following positions:

Chairperson, whose responsibilities are:

- To lead and prepare the agenda for meetings.
- Make sure rules are followed.
- Approve money withdrawal with other executive members.
- Explore opportunities for growing the club.

Secretary, whose responsibilities are:

- Keep accurate record of the club's activities, namely minutes, correspondence and membership register.
- Maintain communication to make sure all members are informed of all activities of the club
- Have signing powers with the chairperson and treasurer.

Treasurer, whose responsibilities are:

- Keep accurate account of all club's finances and present copies of all the deposit slips.
- Collect money or deposit slips at every meeting.
- Have signing powers with the chairperson and the secretary.
- Keep up-to-date with financial charges and banking products that could be beneficial to the group.

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ADMINISTRATION REQUIREMENTS Required Documentation

Continued/...

2)	Document / Letter authorising a representative/authorised person to act on behalf of the Club/Stokvel (signed by all members)
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AUTHORIZATION LETTER

Date
Name of Investor Club / Stokvel

Dear Sirs
We the undersigned members of the.....
(insert name of Club / Stokvel), hereby authorise
..... to act on behalf of the
members in all matters relating to: the administration and operation
of our investments: applications to open investment and bank
accounts; including signing of any documents relating to these
matters.
Any and all acts carried out by, on
behalf of the members, shall have the same effect as acts of our
own.
This authorisation is valid until further written notice by
.....(insert name of Club / Stokvel).
Sincerely,

List of Members	Signatures

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ADMINISTRATION REQUIREMENTS

Required Documentation

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3)	Register (with ID numbers, addresses, contact details) of all members.
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4)	Bank account in the name of the Club / Stokvel.
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Starting & Managing an Investor Club/ Stokvel

FICA REQUIREMENTS

(to be sent to investment administrators)

Continued/...

- **Copy of Constitution / Founding Statement.**
- **Election Document / Letter for Representative / Authorised Person.**
- **Copy of Register of Investors.**
- **Copy of Club / Stokvel bank statement/cancelled cheque.**
- **FICA documents for Representative/Authorised Person.**
 - **ID**
 - **Proof of residence.**

Using ETFs In Investor Clubs / Stokvels

- **Less risk (more diversification) by using ETF portfolios to provide exposure to equities, bonds, listed property and other asset classes.**
- **Low costs do not eat into investment performance.**
- **Low investment minimums**
 - **Lump sum investments from R1000 for initial/additional investments**
 - **Can do debit orders from R300 per month/product.**
- **Quarterly dividends can be paid out or reinvested depending on choice of Club/Stokvel.**

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Using ETFs In Investor Clubs / Stokvels

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- **Can be bought or sold instantly to cater for new/leaving investors.**
- **Very transparent – performance can be monitored daily.**
- **Reduced need for research into individual shares.**
- **ETFs are both FSB and JSE regulated and controlled.**

Using etfSA Investor Scheme™

- **Specifically caters for Investor Clubs / Stokvels (see application form).**
- **Offers choice of 57 ETFs/ETNs**
- **Easy switching/sale/transfer to facilitate portfolio management**
- **Website provides**
 - **Education**
 - **Product information**
 - **Performance data**
 - **Portfolio watchlists**
- **Advisory services on request.**

Contact details

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