

Understanding Exchange Traded Products (ETPs)

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NATIONAL YOUTH
FINANCIAL LITERACY DAY
9th October 2012

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What Are Exchange Traded Products (ETPs)?

- They are securities listed and traded on the JSE just like any other listed product.
- They offer access to a **basket or portfolio** of listed companies and **not** just a **single company**.
- The portfolios either:
 - Track an index of shares or bonds, or
 - They offer the return of an asset class or bundle of shares.

Continued/...

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

Prices from "The Star" newspaper (3 Oct 2012)

PLATINUM & PRECIOUS METALS				TRAVEL & LEISURE														
AMPLATS	40800	42400	40131	-1625	-26.4	0.5	101.5	398019	TTIME	9	9	9	-72.7	-0.2	48613	AFDAWN		
AQUARIUS	589	605	580	+15	-75.9	-	-2.3	619143	CITYLDG	9500	9900	9391	+190	51.8	2.6	23.1	28916	AH-VEST
ATLATA	175				-61.0	-	7.7		COMAIR	142	142	142	-29.4	-	37.4	8000	ALERT	
BAUBA	125				-44.4	-	17.9		CULINAN	110			37.5	0.9	25.2		ALLIANCE	
EASTPLATS	155	174							DON	17	17	17	-32.0	-1.1	105962	ANSYS		
IMPLATS	13950	14150												25.9	67528	B&W		
JUBILEE	122	125												-1.4		BEIGE		
LONMIN	7454	7671												9.6		BEIGE PREF		
NORTHAM	2929	3039												17.1	14090	BIOSCI		
PLATFIELD	4	5												12.6	43284	BLACKSTAR		
RBPLAT	4750	4775												14.3	337615	BLUE		
WESIZWE	82	89												87.8		BRICOR		
														0.0	0	BSI STEEL		
														5.7	3330254	CHEMSPEC		
														0.0	0	CHROMETCO		
														12.7	99828	DIAMONDCP		
														10.0	7279482	ERBACON		
														14.1	12122364	FINBOND		
														14.8	4130452	FONEWORX		
														0.0	0	GOODERSON		
														0.0	0	HARDWARE		
														10.6	844960	HUGE		
														16.7	213708	IMBALIE		
														17.1	6914902	INTEWASTE		
														12.2	666943	PSA		
														12.3	1434866	QUAD		
														11.4	3039596	ISA		
														0.0	0	KIBO		
														18.2	11557	LONRHO		
														27.1		MAS		
														0.0	0	MINERES		
														13.9	10094	MONEYWB		
														14.5	950138	MSHOLDING		
														8.5	238772	MUVONI		
																NUTRITION		
																OASIS		
																ONELOGIX		
																OSIRIS		

Name	S	Close	High	Low	DM	YM%	DY	PE	DV
EXCHANGE TRADED FUNDS									
BBEWT40		3926	3936	3936	+14	18.8	2.6	-	100
BE GREEN		1557	1556	1556	+4	-	1.0	-	1400
DBX JAPAN		479	488	485	+5	-0.6	1.2	-	40000
DBX USA		1155	1164	1150	-2	30.7	0.6	-	58844
DBX WORLD		1107	1118	1100	+3	23.7	1.2	-	63278
DBXEURO50		2723	2740	2703	+30	14.7	2.1	-	59518
DBXFT100		7855	7860	7838	+25	22.3	2.6	-	12807
MAPPS GRO		1307	-	-	+3	22.0	0.4	-	-
MAPPS PRO		2497	-	-	+4	19.2	0.3	-	240
NEW RAND		2691	2687	2686	+4	19.0	-	-	2103
NEWFEQMOM		1801	-	-	+27	-	-	-	-
NEWFNGOVI		4215	-	-	+21	-	-	-	-
NEWFNILBI		5084	-	-	+3	-	-	-	-
NEWFNSWIX		946	-	-	+3	-	1.0	-	105
NEWFTRACI		1684	-	-	+1	-	-	-	-
NEWGOLD		14425	14500	14375	-45	17.1	-	-	127037
NEWSA		3594	-	-	+7	24.8	1.4	-	9
PREFEX		1095	1093	1093	+1	-	1.0	-	45
PROPXSAPY		4825	4850	4800	-5	28.8	1.5	-	220
PROPXTEN		1402	1410	1405	-5	27.5	5.5	-	12270
RAFIFIM		2055	2055	2055	-34	20.9	1.2	-	47

Continued/...

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

- They are **passive** investments – they merely replicate the performance of an index or basket of shares.
- Unlike **active** investments – where the asset manager attempts to outperform the index or market benchmark performance.

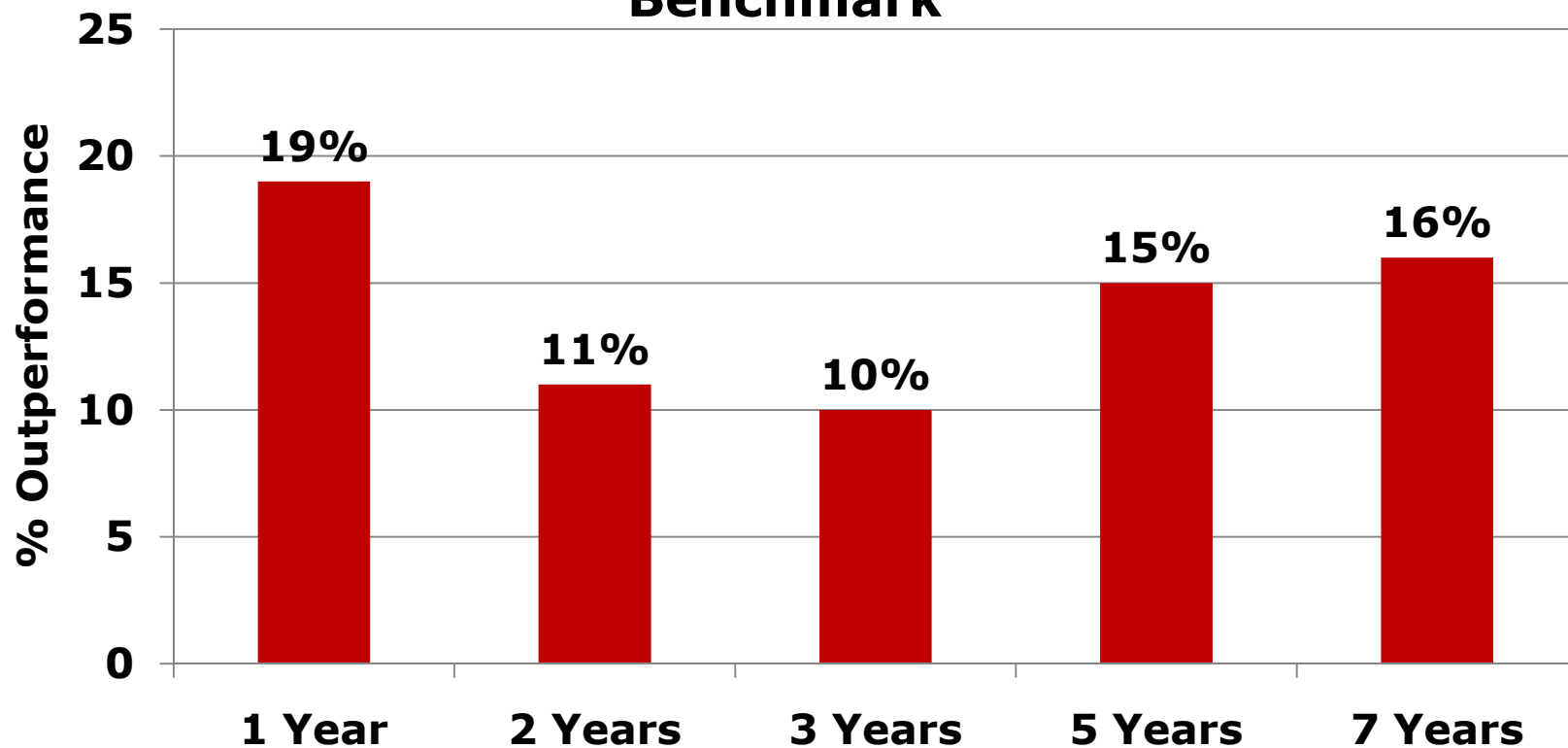
Continued/...

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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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What is An Index?

Index Weights – Basket of Constituents (as at October 2012) FTSE/JSE Top 40 Index

	Market Cap Weighted (%)	Equally Weighted (%)		Market Cap Weighted (%)	Equally Weighted (%)
Absa Group Limited	1,16	2,5	Capital Shop Centres Grp	0,68	2,5
African Rainbow Minerals	0,31	2,5	Compagnie Fin Richemont	6,34	2,5
Anglo Platinum Ltd	0,74	2,5	Exxaro Resources Ltd	0,52	2,5
Anglo American Plc	8,06	2,5	Firststrand Ltd	2,77	2,5
Anglo Gold Ashanti Ltd	2,52	2,5	Gold Fields Ltd	1,79	2,5
Aspen Pharmacare Hldgs	1,15	2,5	Growthpoint Properties Ltd	1,01	2,5
Assore Ltd	0,32	2,5	Harmony Gold Mining Co	0,67	2,5
BHP Billiton Plc	13,04	2,5	Impala Platinum Holdings	2,02	2,5
Bidvest Group Ltd	1,57	2,5	Imperial	0,90	2,5
British American Tobacco	2,3	2,5	Investec Ltd	0,34	2,5

What is An Index? (continued)

Index Weights – Basket of Constituents (as at October 2012) FTSE/JSE Top 40 Index

	Market Cap Weighted (%)	Equally Weighted (%)		Market Cap Weighted (%)	Equally Weighted (%)
Investec Plc	0,75	2,5	RMB Holdings Ltd	0,92	2,5
Kumba Iron Ore Ltd	1,07	2,5	SABMiller Plc	10,82	2,5
Massmart	0,42	2,5	Sanlam Ltd	1,65	2,5
Mondi Ltd	0,23	2,5	Sasol Ltd	5,50	2,5
Mondi Plc	0,72	2,5	Shoprite Holdings Ltd	2,30	2,5
Mr Price Group Ltd	0,78	2,5	Standard Bank Group Ltd	3,85	2,5
MTN Group	6,77	2,5	Steinhoff International Hldg	1,09	2,5
Naspers Ltd -N-	5,07	2,5	Tiger Brands Ltd	0,91	2,5
Nedbank Group Ltd	1,08	2,5	Truworths	1,04	2,5
Old Mutual Plc	2,70	2,5	Vodacom Group	1,07	2,5
Remgro Ltd	1,52	2,5	Woolworths Holdings Ltd	1,23	2,5

Why Buy An Index Tracker?

- You buy one ETF and own a whole portfolio of index shares:
 - Reduce your risk by diversifying your portfolio
 - Enhance performance potential
 - Lower your costs – you only pay brokerage and JSE costs once, not for every share in the portfolio.
- So you own say 40 shares but you only pay to buy one share.

Types of Exchange Traded Products:

1) Exchange Traded Funds (ETFs)

- Track an index
- The Stock Exchange selects the index shares.
- The ETF replicates the index portfolio by owning the index constituents in exactly the weighting stipulated by the Stock Exchange.
- Are Collective Investment Schemes
- Physically hold all index constituent shares in a **Trust**, which is insolvency remote and managed by an independent **Trustee**.
- Effectively are unit trusts listed on the JSE.

Types of Exchange Traded Products:

2) 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 ETNs 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.**

Continued/...

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



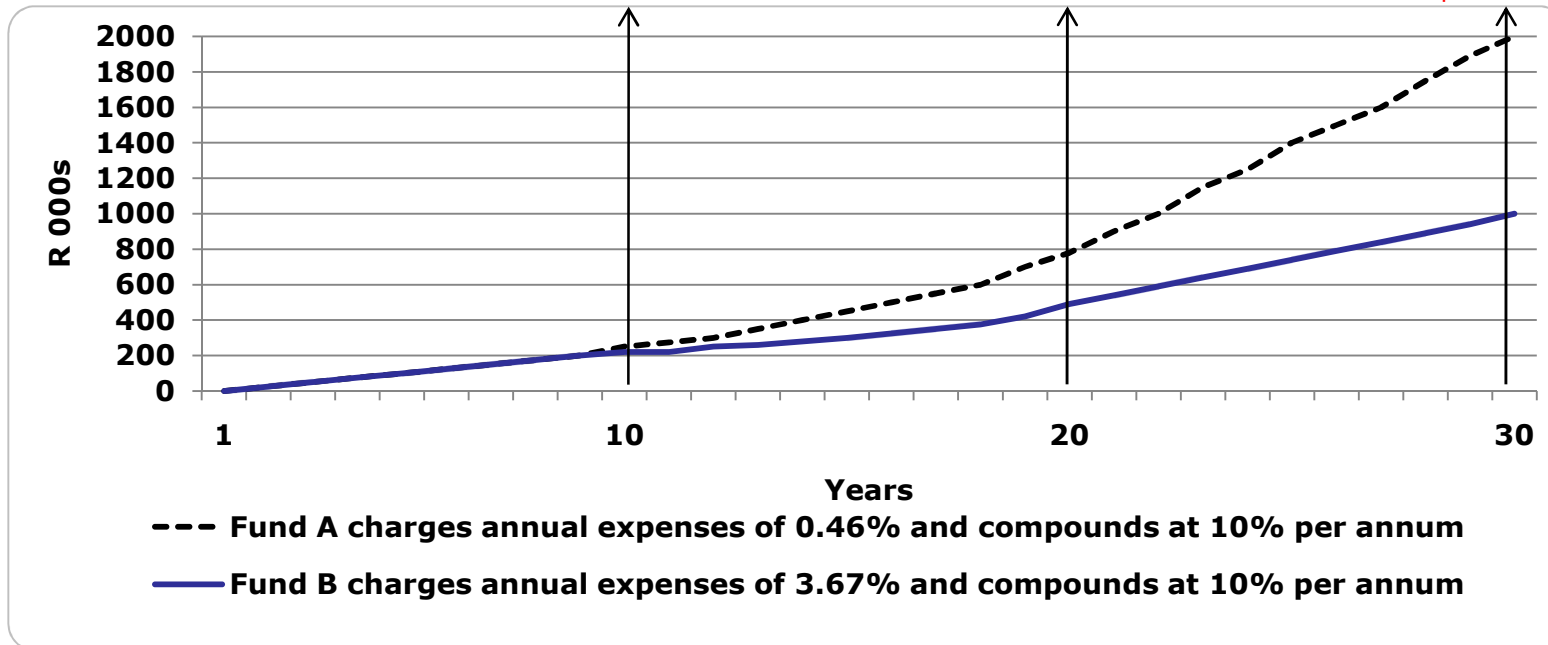
What you get after 10 years
2 years University tuition



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 "LEARN MORE" button



Navigation menu: About etfSA | ETFs | ETNs | How to Invest | **Learn More** | My Profile | Performance Data

Market data: 0.00 (0.00%) | ETF Property Index Tracker SAPY: 4590 ↓ -12.00 (-0.26%) | ETF Property Index Tracker Top Ten: 1360 ↑ 23.00
SW Carbon Credit Note: 10998 = 0.00 (0.00%) | SBR003 - Retail deposit note R100 denominations: 10138 = 0.00 (0.00%) |

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etf Education

On this page you will find easy to understand general information about ETF's.

To view presentations about ETF's click [here](#).

To view a brief description of the different types of ETFs click [here](#).

What are ETF's?
An Exchange Traded Fund (ETF) is an investment vehicle which provides an investor with direct access to a basket of shares traded on stock exchanges such as the Johannesburg Stock Exchange (JSE) with the convenience of trading in a single security. Most ETFs track an index, such as the FTSE/JSE Top 40. ETFs are attractive as investments because of their low costs (Total Expense Ratio TER) and the ability to purchase them like a normal exchange listed security. An ETF combines the diversified portfolio of a unit trust investment with the tradability features of a listed security allowing it to be bought or sold at the end of each trading day at the market ruling price.

How can ETF's benefit me?
Buying a basket of shares (an ETF) is less risky than buying a single listed company as the diversification and spread of investments reduces the risk exposure. ETFs typically track an index of the most liquid shares on the stockmarket. Indices are regularly rebalanced by the Johannesburg Stock Exchange (JSE) to ensure that they reflect the

ETF
Education
page:

Continued/...

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For More Information on ETFs/ETNs (continued)

March 2012 15:21 ETF BetaBeta Equally Weighted Top 40 Portfolio: 3749 \uparrow 0.00 (0.00%) | ETF BetaBeta Green: 1489 \uparrow 0.00 (

March 2012 15:21 ETN - Deutsche Bank AG: 1 \uparrow 0.00 (0.00%) | ETN - Deutsche Bank MSCI Africa Capped 50 TRI: 6032 \uparrow 0.00 (0

Presentations
page:

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Presentations

On this page you are able to view easy to understand presentations about ETF's.

To view additional information about ETF's [click here](#)

2011

[JSE MyShare Investment Day presentation - "ETFs 101" ▶ 22 October 2011](#) [190kb]

[What are ETFs?](#) [50kb]

[What are the Advantages of ETFs?](#) [49kb]

[What can ETFs do for my Investment Portfolio?](#) [10.1kb]

[Using ETFs in Portfolio Management](#) [42kb]

[Global Development of the ETF Market](#) [88kb]

2010

The New World of ETFs - November 2010 presentations:

[Nedbank Capital – BetaBeta Retail presentation – Nernia Visser](#) [494kb]

[etfSA - Exchange Traded Funds presentation – Mike Brown](#) [220kb]

[RMB Exchange Traded Notes](#)

Capital announces a drop in management fees its ETFs

Global Lists New Exchange Funds

Investment "Making ETFs the Core Investment Plans" – March

Retail Bonds in South Africa

etfSA.co.za SA ETF, ETN & Structured Product Survey (Jan)

Investor clubs / stokvels



For More Information on ETFs/ETNs

Click on the **"LEARN MORE"** button for different types of ETFs



Home	About etfSA	ETFs	ETNs	How to Invest	Learn More	My Profile	Performance Data
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Total Number of Products

ETFs	38
ETNs	20
Total	58

ETF/ETN Products Offered Through the etfSA Investor Scheme[®]

Products available:
38 ETFs
20 ETNS

A) INDEX TRACKING ETFs		
1.	Top 40 – Broad Market Access	Description
Dividends paid quarterly	Absa NewFunds SWIX 40	Tracks the FTSE/JSE SWIX Top index (same as Satrix SWIX 40 and Stanlib SWIX 40), however, all dividends are automatically reinvested on a quarterly basis to provide a total return.
	Nedbank BetaBeta EWT 40	Equally allocates the same amount (2,5%) to each of the Top 40 shares. This balanced approach produces less volatility and a lower risk adjusted exposure to the Top 40.
	RMB 40	Same portfolio as Satrix 40, but lower cost structure.
	Satrix 40	Market cap index of JSE Top 40 blue chip shares on the JSE – high exposure to mining and large cap shares.
	Satrix SWIX Top 40	Adjusts the Top 40 weighting to exclude all South African shares held by foreigners. Reduces the portfolio exposure to mining

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For More Information on ETFs/ETNs

Click on the "ETF or ETN" button



Satrix INDI Portfolio
Domestic--Equity--Industrial

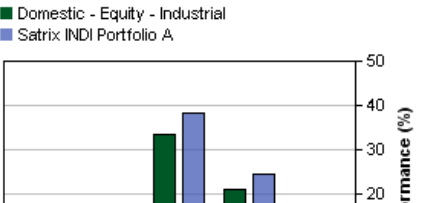
Focus and Objective

The Satrix INDI is an Exchange Traded Fund (ETF) listed on the JSE. The Satrix INDI aims to give investors the performance of the FTSE/JSE Industrial index. The Satrix INDI provides the opportunity to invest in the top 25 shares, measured by their market capitalisation, in the industrial sector. The Satrix INDI tracks the FTSE/JSE INDI25 index, as closely as possible. Dividends received from these companies are also paid out quarterly - net of costs.

Management

Satrix Securities
This fund is managed by Satrix Managers (Pty) Ltd.

Comparative Performance - A Class

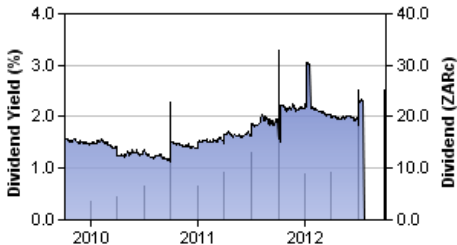


Technical Overview

FORMATION DATE:	15 Feb 2002
BENCHMARK:	FTSE/JSE INDI25 (J211)
HOLDINGS:	26
UNIT HOLDERS:	8 293
ORIGINAL PRICE:	705
PRICING SYSTEM:	Forward
INCOME DECL:	31/03,30/06,30/09,31/12
MINIMUM LUMP SUM:	R1 000
MINIMUM MONTHLY:	R300
RISK RATING:	High

Dividend Yield A Class

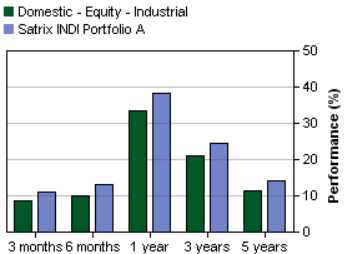
Vertical lines represent dividends.



Management

Satrix Securities
This fund is managed by Satrix Managers (Pty) Ltd.

Comparative Performance - A Class



Dividend Yield A Class

Vertical lines represent dividends.



Dividend History - A Class (last 3 years)

30 SEP 2012	25.08c
30 JUN 2012	25.08c
31 MAR 2012	9.07c
31 DEC 2011	8.95c
30 SEP 2011	33.03c
30 JUN 2011	13.18c
31 MAR 2011	9.27c
31 DEC 2010	6.63c
30 SEP 2010	22.87c
30 JUN 2010	6.45c
31 MAR 2010	4.51c
31 DEC 2009	3.59c
30 SEP 2009	13.73c
30 JUN 2009	6.42c
31 MAR 2009	8.16c

Profile page:

Continued/...

For More Information on ETFs/ETNs

(continued)

Fees	
TER, CLASS-A (30 JUN 2012):	0.46%
PERF FEE TER, CLASS-A (30 JUN 2012):	0%
ANNUAL, CLASS-A:	0.8% (Satrix Investment plan)

PERFORMANCE, CLASS-A: 0.45% - 0.80% PER ANNUM DEPENDING ON THE SIZE OF THE INVESTMENT. ONLY APPLICABLE IF PURCHASED THROUGH THE INVESTMENT PLAN.

Top Holdings on 30 Jun 2012

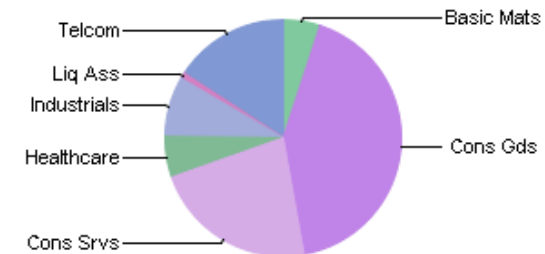
SHARE	No Units	Value (Rm)	% of Fund
SABMILLER	457 656	150.98	21.20%
MTN GROUP	690 771	97.34	13.67%
RICHEMONT	1 914 857	85.86	12.05%
NASPERS-N	150 603	65.51	9.20%
BATS	81 750	34.38	4.83%
Totals		434.07	60.94%

Asset Allocation



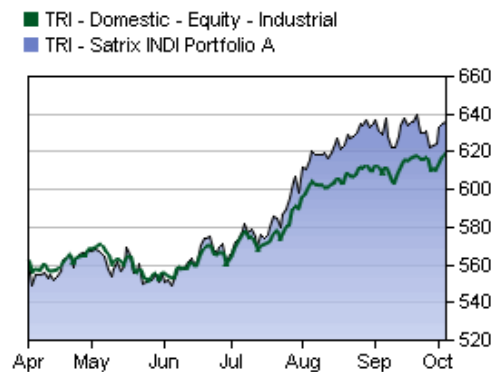
F. Bonds	- 0.00%
F. Cash	- 0.00%
F. Equity	- 0.00%
F. Property	- 0.00%
SA Bonds	- 0.00%
SA Cash	- 0.82%
SA Equity	- 99.18%
SA Property	- 0.00%

Sectoral Breakdown



Satrix INDI Portfolio - A Class

PRICE - A CLASS



Latest NAV 03 Oct 2012 **3 644.98c**
NAV on 03 Apr 2012 **3 248.45c**

PERFORMANCE TO 3 OCT 2012

R1 000 LUMP SUM (NAV-NAV INCL. DIVIDENDS)

PERIOD	Return	Value(R)	Inflation(R)
3 MONTHS	11.08%	1 110.80	1 006.40
6 MONTHS	13.07%	1 130.70	1 013.80
1 YEAR	38.29%	1 382.90	1 047.80
3 YEARS	24.39%	1 924.80	1 142.70
5 YEARS	14.04%	1 929.00	1 351.70
10 YEARS	22.34%	7 510.10	1 733.90

R100 PER MONTH (NAV-NAV INCL. DIVIDENDS)

PERIOD	Return	Value(R)	Inflation(R)
3 MONTHS	2.04%	304.10	303.23
6 MONTHS	12.07%	643.69	n/a
1 YEAR	25.72%	1 381.06	n/a
3 YEARS	22.01%	5 129.37	n/a
5 YEARS	19.81%	10 288.14	n/a
10 YEARS	19.97%	38 149.82	n/a

* VALUES FOR PERIODS GREATER THAN ONE YEAR ARE ANNUALISED

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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

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All transactions (buy, sell, transfers and switches) can be done online, or by downloading the application form.

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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
- Specialise in ETPs only.

Visit www.etfsa.co.za

Contact details

Website	www.etfSA.co.za – fully internet based
etfSA Call Centre	0861 383 721 (0861 ETFSA1) queries@etfSA.co.za
etfSA Management	Tel: 011 561 6653 Fax: 011 388 4674 info@etfSA.co.za

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