

About ETPs as an Investment Option

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SARB – Basic Investment Principles Course
21st August 2012

Agenda

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

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/...

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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 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



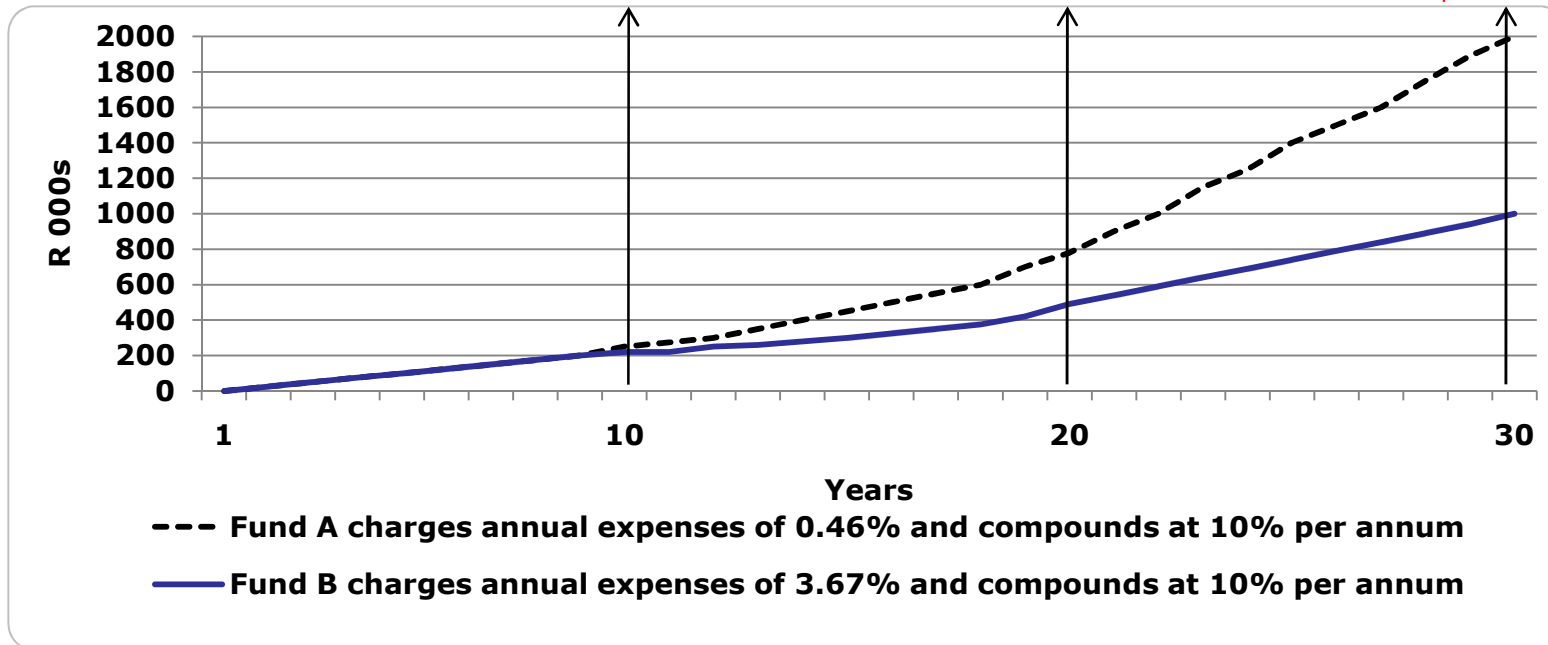
What you get after 10 years
2 years University tuition



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

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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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

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

Investor clubs / stokvels

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?](#) [101kb]
- [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](#)



For More Information on ETFs/ETNs

Click on the "ETF or ETN" button



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ETN - Standard Bank Africa Equity Index

Focus and Objective

The AEI ETN tracks the SBAFRITR in an efficient and cost effective manner to provide investors access to the broader African market, which is generally unknown, expensive and hard to access. The SBAFRITR is dollar-based and currently represents exposure to 29 African countries.

In accordance with the Index Rules Document, the Index will rebalance twice a year to determine which shares qualify in terms of the rules requirements. This will then make up the composition of the Index for the next six-month period.

Stocks in the Index will be selected from the equities with their primary listing in relevant stock exchanges in Africa (Local Shares), excluding South Africa, Lesotho and Swaziland, and equities with their primary listing in major stock exchanges outside Africa (International Shares) which have exposure to Africa. The shares with primary listings in major stock exchanges outside Africa must adhere to stringent rules to ensure the bulk of the shares included have a minimum of 85% of the company's total revenue being generated in Africa.

The Standard Bank Africa Equity Index ETN (SBAEI) has the following allocation:
 Sub-Saharan Africa 37%
 North Africa 23%
 African Stocks on International Exchanges 40%

Details

FORMATION DATE:	16 May 2011
SECTOR:	Exchange Traded Notes
JSE CODE:	SBAEI
ISIN:	ZAE000156568
CURRENCY:	
HOLDINGS:	n/a
UNIT HOLDERS:	n/a
ORIGINAL PRICE:	n/a
PRICING SYSTEM:	Forward
MINIMUM LUMP SUM:	R1 000
MINIMUM MONTHLY:	R300

Fees

TER:	n/a
ANNUAL:	%
PERFORMANCE:	n/a

Price

PERFORMANCE TO 31 JUL 2012			
R1 000 LUMP SUM (NAV-NAV INCL. DIVIDENDS)			
PERIOD	Return	Value(R)	Inflation(R)
3 MONTHS	-0.36%	996.40	1 002.40
6 MONTHS	2.48%	1 024.80	1 023.90
1 YEAR	2.60%	1 026.00	1 046.40

R100 PER MONTH (NAV-NAV INCL. DIVIDENDS)			
PERIOD	Return	Value(R)	Inflation(R)
3 MONTHS	-57.31%	199.28	300.57
6 MONTHS	-32.17%	496.94	n/a
1 YEAR	-11.64%	1 126.07	n/a

Profile page:

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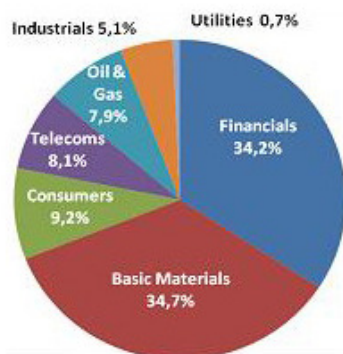
For More Information on ETFs/ETNs

(continued)

Lesotho and Swaziland, and equities with their primary listing in major stock exchanges outside Africa (International Shares) which have exposure to Africa. The shares with primary listings in major stock exchanges outside Africa must adhere to stringent rules to ensure the bulk of the shares included have a minimum of 85% of the company's total revenue being generated in Africa.

The Standard Bank Africa Equity Index ETN (SBAEI) has the following allocation:
 Sub-Saharan Africa 37%
 North Africa 23%
 African Stocks on International Exchanges 40%

The portfolio consists of 179 companies from 29 different Africa countries. The sector allocation is as follows:



Continued/...

PERFORMANCE: n/a

Price

PERFORMANCE TO 31 JUL 2012

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

PERIOD	Return	Value(R)	Inflation(R)
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R100 PER MONTH (NAV-NAV INCL. DIVIDENDS)

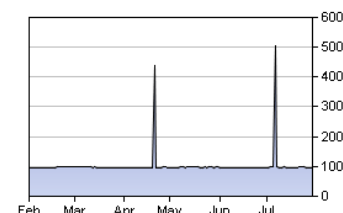
PERIOD	Return	Value(R)	Inflation(R)
3 MONTHS	-57.31%	199.28	300.57
6 MONTHS	-32.17%	496.94	n/a
1 YEAR	-11.64%	1 126.97	n/a

* VALUES FOR PERIODS GREATER THAN ONE YEAR ARE ANNUALISED

The Standard Bank Africa Equity ETN trades in rands on the JSE as an inward listed security. It provides a total return to investors.

PRICE

■ TRI - ETN - Standard Bank Africa Equity Index



Latest NAV 31 Jul 2012 828.00c
 NAV on 01 Feb 2012 805.00c

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Types of ETPs Available in the South African Market

Exposure	Provides	Product	
Overall Market Performance	Access to average JSE market performance	<ul style="list-style-type: none"> • RMB 40 • Satrix 40 • Satrix SWIX Top 40 • BettaBeta EWT 40 	<ul style="list-style-type: none"> • Stanlib Top 40 • Stanlib SWIX Top 40 • NewFunds SWIX 40
Sectoral Performance	Access to different sectors of the JSE	<ul style="list-style-type: none"> • Satrix INDI 25 • Satrix FINI 15 • Satrix RESI 10 	<ul style="list-style-type: none"> • RMB MidCap
Bonds or High Income	Access to Government bonds Access to the listed preference shares	<ul style="list-style-type: none"> • Investec zGOVI • RMB Inflation-X • Prefex 	<ul style="list-style-type: none"> • NewFunds GOVI • NewFunds ILBI
Property	Exposure to the commercial property sector of the JSE	<ul style="list-style-type: none"> • Proptrax SAPY • Proptrax TEN 	
"Style" or "Thematic"	Based on an investment strategy	<ul style="list-style-type: none"> • NewFunds Shariah Top 40 • NewFunds NewSA • NewFunds NewRand 	<ul style="list-style-type: none"> • Satrix DIVI • NewFunds Equity Momentum
"Balanced" ETFs	Mix of bonds, equities and cash to provide exposure to a basket of asset classes	<ul style="list-style-type: none"> • NewFunds MAPPS Protect • NewFunds MAPPS Growth 	

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Types of ETPs Available in the South African Market (continued)

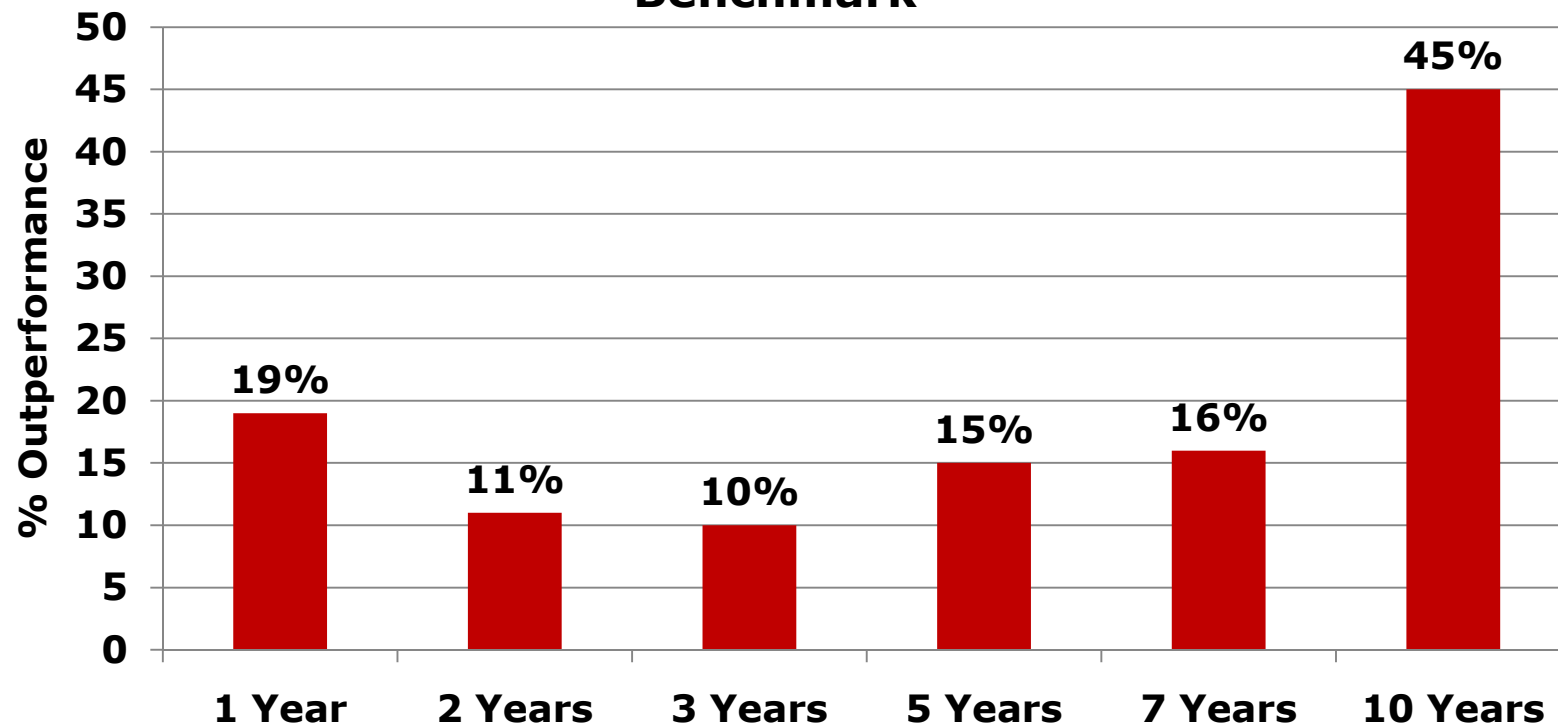
Exposure	Provides	Product
Offshore (Foreign) markets	Investment in overseas indices in both developed and emerging markets	<ul style="list-style-type: none"> • DBX Tracker EuroStoxx50 ETF • DBX Tracker FTSE 100 ETF • DBX Tracker Japan MSCI ETF • DBX Tracker USA MSCI ETF • DBX Tracker World MSCI ETF • DBX China ETN • DBX Africa Top 50 ETN • DBX Emerging Markets ETN • Standard Bank Africa Equity ETN
"Value" Strategies	Looks to outperform the market average using fundamental analysis and technology	<ul style="list-style-type: none"> • Satrix RAFI 40 • NewFunds eRAFI Overall • NewFunds eRAFI INDI • NewFunds eRAFI FINI • NewFunds eRAFI RESI
Commodity Markets	Invests in physical commodity markets	<ul style="list-style-type: none"> • NewGold ETF – gold bullion • Standard Bank Gold-Linker ETN • Standard Bank Silver-Linker ETN • Standard Bank Platinum-Linker ETN • Standard Bank Palladium-Linker ETN • Standard Bank Commodity Basket ETN • Standard Bank Copper ETN • Standard Bank Corn ETN • Standard Bank Oil ETN • Standard Bank Wheat ETN
Money Market	Provides 3 month money market total return	<ul style="list-style-type: none"> • NewFunds TRACI ETF
Currency	Invests in foreign currency deposits, provide pure "rand hedge"	<ul style="list-style-type: none"> • NewWave US Dollar ETN • NewWave UK Pound ETN • NewWave Euro ETN

Using ETPs 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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Why You Should Be Using ETFs/ETNs

ETFs/ETNs OUTPERFORMING FTSE/JSE SWIX TOP 40 INDEX

1 Year	% Return	2 Year	% Return	3 Year	% Return
NewGold	31,54	Satrix INDI 25	25,40	Satrix INDI 25	25,39
Standard Bank Gold-Linker	24,95	Proptrax SAPY	21,41	Proptrax SAPY	24,92
DBX Tracker MSCI USA	24,58	NewGold	19,65	NewGold	22,45
Property SAPY	24,36	DBX Tracker MSCI USA	19,98	NewFunds eRAFI INDI 25	22,12
Proptrax TEN	22,57	NewFunds eRAFI INDI 25	18,54	Satrix DIVI Plus	21,73
Satrix FINI 15	21,11	Satrix FINI 15	17,27	Satrix RAFI	19,12
NewFunds eRAFI FINI 15	20,63	BettaBeta EWT 40	16,62	NewFunds eRAFI FINI 15	19,10
Satrix INDI 25	19,55	Satrix DIVI Plus	16,11	NewFunds eRAFI Overall	17,88
Satrix DIVI Plus	17,45	Satrix RAFI	16,08		
zShares GOVI	13,74				
DBX Tracker World	13,04				
NewFunds eRAFI INDI 25	12,91				
BettaBeta EWT 40	12,59				
DBX Tracker FTSE 100	12,19				
RMB Inflation-X	11,54				
NewFunds MAPPS – Growth	11,43				
DBX Tracker MSCI Japan	11,41				
NewFunds MAPPS – Protect	11,33				
NewFunds NewSA	10,90				
FTSE/JSE SWIX Top 40	10,35	FTSE/JSE SWIX Top 40	16,05	FTSE/JSE SWIX Top 40	16,98

How To Invest In ETFs/ETNs

Through Stockbrokers	Through Investment Plans (etfSA)
<ul style="list-style-type: none"> • Minimum investment amount 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

How to Invest

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etf How to invest

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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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Investors can transact (buy, sell, switch, transfer, etc.) on any of the ETF products listed on this website through the "etfSA Investor Scheme™". Investors who utilize the etfSA Investor Scheme™ for transaction in ETFs are and remain the clients of etfSA.co.za. etfSA.co.za will protect the privacy and respect the confidentiality rights of its clients at all times. etfSA.co.za is owned and managed by Mike Brown Consulting Services (a registered Financial Services Provider FSP No. 39217). etfSA.co.za, its logo and slogan are registered trademarks.

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