

# Introduction to Exchange Traded Products (ETPs)

**Presentation at:**  
**Stocks for Frocks Webinar**  
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The Home of Exchange Traded Funds<sup>®</sup>



# What Are Exchange Traded Products (ETPs)?

- They are securities traded on the JSE, like any other listed shares.
- They give access to a portfolio (Fund) of shares.
- The Fund typically tracks an index.

# Components of FTSE/JSE Top 40 Index

Index Weights – Basket of Constituents (as at March 2014)  
FTSE/JSE Top 40 Index

	Market Cap Weighted (%)		Market Cap Weighted (%)
African Rainbow Minerals	0,38	Capital & Countries Prop	0,23
Anglo Platinum Ltd	0,54	Compagnie Fin Richemont	9,66
Anglo American Plc	6,60	Discovery	0,44
Anglo Gold Ashanti Ltd	1,40	Exxaro Resources Ltd	0,34
Aspen Pharmacare Hldgs	1,59	Firststrand Ltd	2,02
Assore Ltd	0,26	Growthpoint Properties Ltd	0,80
Barclays Africa Group	0,91	Impala Platinum Holdings	1,17
BHP Billiton Plc	13,10	Imperial	0,57
Bidvest Group Ltd	1,63	Investec Ltd	0,39
British American Tobacco	3,28	Investec Plc	0,97

# Components of FTSE/JSE Top 40 Index

Index Weights – Basket of Constituents (as at March 2014) FTSE/JSE Top 40 Index			
	Market Cap Weighted (%)		Market Cap Weighted (%)
Intu Properties Plc	0,69	Remgro Ltd	1,83
Kumba Iron Ore Ltd	0,41	RMB Holdings Ltd	0,60
Life Healthcare Grp Hldgs	0,65	SABMiller Plc	9,63
Mediclinic International Ltd	0,58	Sanlam Ltd	2,00
Mondi Ltd	0,43	Sasol Ltd	6,15
Mondi Plc	1,32	Shoprite Holdings Ltd	1,26
MTN Group	7,21	Standard Bank Group Ltd	3,10
Naspers Ltd -N-	8,65	Steinhoff International Hldg	2,01
Nedbank Group Ltd	0,84	Tiger Brands Ltd	0,79
Old Mutual Plc	3,12	Vodacom Group	0,80
Reinet Inv Soc Anon	0,64	Woolworths Holdings Ltd	1,00

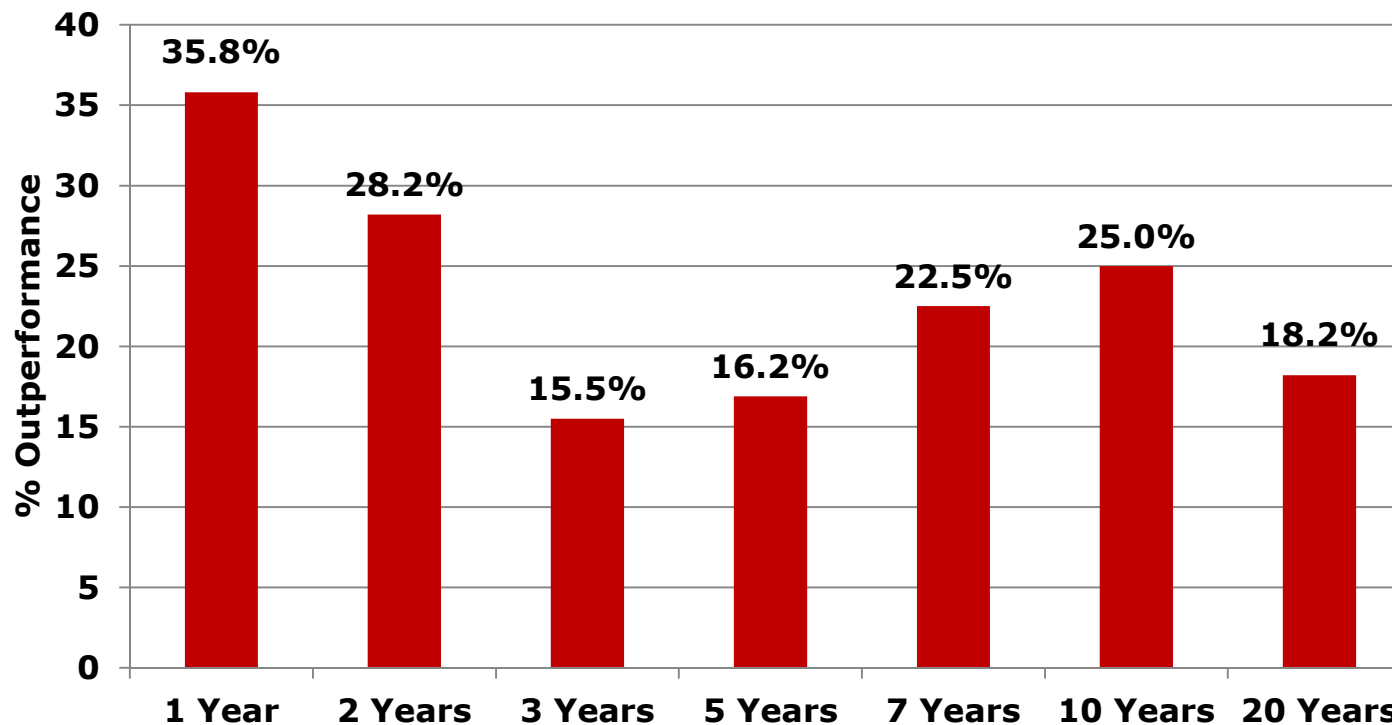
# The Case for ETPs

- You buy one ETP, but you own a whole portfolio (fund) of shares.
- Although you own a whole portfolio, you only pay for one share – brokerage and JSE settlement costs are only paid once and not for every share in the portfolio.

**Buy one security and own a whole  
“basket” of shares on the JSE.**

# Why You Should Be Using ETFs/ETNs

**Percentage of Actively Managed General Equity Unit Trusts that Outperformed the FTSE/JSE All Share Index**



Source: Unit Trust Survey (31 December 2013)

# What ETFs/ETNs to buy?

<b>Total SA equity market exposure (pure Beta)</b>	Track the FTSE/JSE Top 40 .	<ul style="list-style-type: none"> <li>• Satrix 40 ETF</li> <li>• BettaBeta EWT 40 ETF</li> </ul>
<b>Exposure to sectors of the market</b>	Track Industrial, Financial, Resources, MidCap indices, etc.	<ul style="list-style-type: none"> <li>• Satrix INDI 25 ETF</li> <li>• NewFunds eRAFI FINI 15 ETF</li> <li>• RMB MidCap ETF</li> </ul>
<b>Bonds</b>	Track portfolios of SA Government bonds.	<ul style="list-style-type: none"> <li>• Investec zGOVI ETF</li> <li>• RMB Inflation-X ETF</li> </ul>
<b>Property</b>	Track listed Property indices.	<ul style="list-style-type: none"> <li>• Proptrax SAPY ETF</li> <li>• Proptrax TEN ETF</li> </ul>
<b>Money Market</b>	Invest in cash/near cash instruments	<ul style="list-style-type: none"> <li>• NewFunds TRACI ETF</li> <li>• PrefEx ETF</li> </ul>

Continued/...

# What ETFs/ETNs to buy? (continued)

<b>Foreign Equity Markets</b>	Track main offshore indices in rands (rand denominated assets).	<ul style="list-style-type: none"> <li>• DBX Tracker MSCI World ETF</li> <li>• DBX Tracker MSCI USA ETF</li> <li>• DB Emerging Markets ETN</li> </ul>
<b>"Smart" ETFs</b>	Track indices with a "Theme" or "Style".	<ul style="list-style-type: none"> <li>• Satrix DIVI ETF</li> <li>• Satrix RAFI 40 ETF</li> <li>• Nedbank BGreen ETF</li> </ul>
<b>Other Assets</b>	Track physical commodity prices, currencies, etc.	<ul style="list-style-type: none"> <li>• NewGold ETF, NewPlat ETF</li> <li>• Standard Bank Platinum-Linker or Palladium-Linker ETNs</li> </ul>



# Sample Portfolio

(R300 per month debit order in each ETP)

Sector	Fund	Current Value* After 3 Years (R)	Current Value* After 5 Years (R)
<b>Broad SA Equity</b>	Satrix SWIX Top 40 ETF	14 950	29 560
<b>JSE Sectors</b>	Satrix INDI 25 ETF	16 850	36 850
<b>SA Bonds</b>	RMB Inflation-X ETF	12 005	22 500
<b>Listed Property</b>	Proptrax SAPY ETF	14 055	25 740
<b>Foreign Equity</b>	DBX Tracker MSCI USA ETF	18 370	36 775
<b>TOTAL</b>		<b>76 240</b>	<b>151 425</b>
*	<i>Current value (23 March 2014) for R300 per month invested in each ETF.</i>		
Source:	<i>etfSA.co.za / Profile Data (23/3/2014).</i>		
Note:	<i>Historic returns may not be replicated in future.</i>		

# Sample Portfolio

(R1000 per month debit order in each ETP)

Sector	Fund	Current Value* After 3 Years (R)	Current Value* After 5 Years (R)
<b>Domestic Equity</b>	Satrix SWIX Top 40 ETF	49 835	98 530
<b>JSE Sectors</b>	Satrix INDI 25 ETF	56 170	122 835
<b>SA Bonds</b>	RMB Inflation-X ETF	41 125	74 850
<b>Listed Property</b>	Proptrax SAPY ETF	46 850	85 800
<b>Foreign Equity</b>	DBX Tracker MSCI USA ETF	61 260	122 585
<b>TOTAL</b>		<b>255 240</b>	<b>504 600</b>
*	<i>Current value (23 March 2014) for R1000 per month invested in each ETF.</i>		
Source:	<i>etfSA.co.za / Profile Data (23/3/2014).</i>		
Note:	<i>Historic returns may not be replicated in future.</i>		

# Information on ETFs/ETNs



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**ETFs**

17 April 2014 10:53 [ETF AfricaGold Debentures: 13752](#) = 0.00 (0.00%) | [ETF AfricaPalladium Debentures: 8414](#) ↓ -8¢

**ETNs**

17 April 2014 10:53 [ETN - BNP GURU Asia ETN: 103](#) = 0.00 (0.00%) | [ETN - BNP GURU Equity World ETN: 94](#) = 0.00 (0.00%)

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Techniques

March 2014 - Monthly etfSA.co.za  
▶ South African ETF, ETN & Unit Trust  
Index Tracking Performance Survey

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# Information on ETFs/ETNs (continued)

▶ South African ETF, ETN & Unit Trust Index Tracking Performance Survey

▶ 2013 – Record Year for ETP Industry

▶ ETPs in 2013 - PERFORMANCE ISSUES

December 2013 - Monthly etfSA.co.za

▶ South African ETF, ETN & Unit Trust Index Tracking Performance Survey

November 2013 - Monthly etfSA.co.za

▶ South African ETF, ETN & Unit Trust Index Tracking Performance Survey

October 2013 - Monthly etfSA.co.za

▶ South African ETF, ETN & Unit Trust Index Tracking Performance Survey

State of the South African Exchange

▶ Traded Product Industry Review - 3rd Quarter 2013

▶ News Archive

Events & Services

▶ Seminars

- ▶ Absa (NewFunds), RMB, DBX Trackers, Investec, Nedbank, Proptrax, Satrix, Standard Commodity Linkers
- ▶ Transact online all ETFs/ETNs
- ▶ Low costs
- ▶ Easy Access & Switching
- ▶ From R300 per month
- ▶ From R1000 for lump sums

[Click here to invest.](#)

## ETF and ETN Products

To view the product profile information and price graphs, please select the ETF/ETN product you require.

- ▶ [ETF - Quick Sheets](#)
- ▶ [ETF - Full Fact Sheets](#)
- ▶ [ETN - Quick Sheets](#)
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EVERYTHING  
YOU NEED TO  
KNOW ABOUT  
ETFs & ETNs



Quick Facts on ETFs

SPOTLIGHT

# 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% - 0,7% p.a.) is administered over 12 months and covers all transactions over that period.
- Will facilitate third party investments
- Ideal for Investor Clubs/Stokvels.
- Specialise in ETPs only.
- Financial advice can be provided for large portfolio investments.

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Go to "How to Invest"

# Retirement Annuity Portfolios for the 21<sup>st</sup> Century

# Why Retirement Annuity (RA) Funds?

- Build up your own retirement fund.
- Tax deductible contributions.
- Preservation of capital – cannot withdraw until at least 55 years of age.
- Tax efficient portfolio structures.
- Direct distribution of funds to beneficiaries in the event of your death.

# Features of etfSA Retirement Annuity Fund

## High Flexibility

- Flexible contributions
  - From R5000 lump sum
  - From R300 per month
  - R1000 for additional lump sums
- Switch between etfSA RA portfolios at no cost.
- Transfer in or out of etfSA RA Fund at no cost under Section 14 transfer.
- No penalties if you cannot continue contributions or want to change any contributions.
- Can invest directly, without financial advisor.
- Or can use financial adviser (trailing commissions of up to 1% per annum can be paid).



# Features of etfSA Retirement Annuity Fund

## High Flexibility

- Complete transparency in
  - Costs
  - Portfolio
  - Performance
  - Rules and benefits
- Clean costs of 1,35% per annum cover all costs
  - Asset management
  - Client administration
  - Management of fund
  - Advice
  - Dispensation of benefits.

**The only RA Fund in South Africa to have full transparency.**

# etfSA RA Fund – Wealth Enhancer Fact Sheet

BETTABETA

CPI+7% target return fund

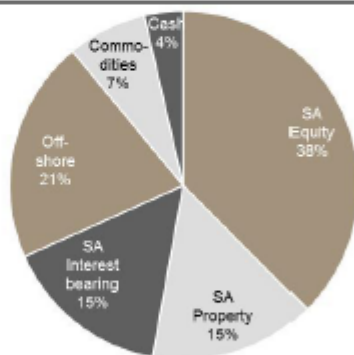
March 2014

## etfSA Wealth Enhancer RA Fund



The Home of  
Retirement Funds

### Benchmark Asset Allocation



### Key Information

#### Sector

SA Multi-asset – Medium Equity  
(Reg. 28 compliant)

#### Composite Benchmark

33%ALSI+15%SAPY+10%ALBI  
+10%ILBI+5%STeFI+27%MXWR

#### Return Target

The etfSA Wealth Enhancer RA Fund aims to preserve the purchasing power of assets over time by achieving targeted returns of 7% in excess of the level of inflation (as measured by the Consumer Price Index, or CPI) over rolling three year periods, while reducing the volatility associated with market-linked investments. The fund is constructed through strategic allocations into a range of exchange traded products, exposed to different asset classes, which optimises the cost efficiency and transparency of the fund. The fund is ideal for investors who are self-employed or already contributing to an employer's retirement fund and would like to make additional savings for retirement. The portfolio is suitable for an investor with an investment horizon of at least 15 years and beyond – it is designed to provide maximum growth in capital with a high targeted real return. The portfolio is well-suited for risk-tolerant investors with real return objectives, seeking long term wealth creation, who in terms of their liabilities, have to earn investment returns in excess of inflation. The portfolio does not pay out dividends – any distributions received from underlying investments are automatically reinvested into the portfolio to allow for additional compounded growth.

### Model Portfolio Investment Returns compared to Market Performance

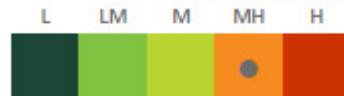
(%)	6m	1yr	3yrs (p.a.)	3yr Stdev	5yrs (p.a.)	10yrs (p.a.)
FTSE/JSE All Share Index (ALSI)	10.1	23.6	17.6	11.7	22.0	19.5
FTSE/JSE SA Listed Property Index (SAPY)	2.8	1.1	18.6	14.8	19.6	23.2
FTSE/JSE All Bond Index (ALBI)	1.0	0.6	9.2	6.9	9.0	9.2
BarCap Inflation-Linked Bond Index (ILBI)	2.9	-2.0	7.4	7.5	6.3	9.0

<http://www.etsara.co.za/factsheets/etfSA-RA-CPI+7-mar2014.pdf>

# etfSA RA Fund – Wealth Enhancer Fact Sheet

## RISK PROFILE

Medium to High (MH)



Fund Total Expense Ratio (TER),  
incl. in total below  
0.35% + VAT

NO performance fees

TOTAL cost (Retirement Annuity,  
Administration and Fund management)  
1.35% + VAT

## Contact us

Retirement Annuity Provider:  
**etfSA RA Funds**

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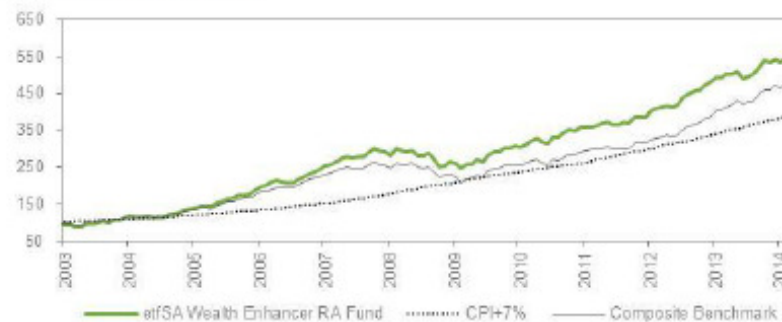
CPI+7%	13.5	13.6		13.0	13.5
CPI+7% Model Portfolio	7.3	11.3	15.5	6.6	16.9
<b>etfSA Wealth Enhancer RA Fund</b>	<b>5.9</b>				

Refer to Note 1 on back page

## Actual Portfolio Holdings

Asset class	Reg. 28 Category	Description	Weight (%)	
SA Equity	Equities (max 75%)	BettaBeta Equally Weighted Top40 ETF	19.4	
		BettaBeta Green ETF	6.9	
		RMB MidCap ETF	6.4	
		Satrix Div Plus ETF	4.8	
SA Property	Immovable Property (max 25%)	Proprax Ten ETF	15.3	
SA Interest bearing	Debt (max 75%)	RMB Inflation-linked GOVI ETF	7.9	
		NewFunds GOVI ETF	7.6	
Offshore	Cash (max 100%)	Cash	3.6	
		Foreign exposure (max 25%)	dB X-Trackers World ETF	10.1
		Africa (max 5%)	dB X-Trackers Emerging Markets ETN	6.3
		Gold (max 10%)	StdBank Africa ETN	4.3
Commodities	Other (max 5%)	NewGold ETF	3.1	
		StdBank Oil ETN	2.6	
		StdBank Wheat ETN	1.8	

## Historical performance



# Contact details

<b>Websites</b>	<a href="http://www.etfsa.co.za">www.etfsa.co.za</a> – fully internet based <a href="http://www.etfsara.co.za">www.etfsara.co.za</a> (etfSA RA Fund)
<b>etfSA Call Centre</b>	0861 383 721 (0861 ETFSA1) <a href="mailto:queries@etfsa.co.za">queries@etfsa.co.za</a> 0861 383 727 (etfSA RA Fund)
<b>etfSA Management</b>	Tel: 011 561 6653 Fax: 011 388 4674 <a href="mailto:info@etfsa.co.za">info@etfsa.co.za</a>

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