

Investing in Exchange Traded Funds (ETFs) as an Investment Club/Stokvel

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The Home of Exchange Traded Funds[®]



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 June 2014)
FTSE/JSE Top 40 Index

	Market Cap Weighted (%)		Market Cap Weighted (%)
African Rainbow Minerals	0,32	Capital & Countries Prop	0,22
Anglo Platinum Ltd	0,47	Compagnie Fin Richemont	9,37
Anglo American Plc	6,36	Discovery	0,49
Anglo Gold Ashanti Ltd	1,29	Exxaro Resources Ltd	0,30
Aspen Pharmacare Hldgs	1,54	Firststrand Ltd	2,38
Assore Ltd	0,20	Growthpoint Properties Ltd	0,88
Barclays Africa Group	0,92	Impala Platinum Holdings	0,95
BHP Billiton Plc	13,47	Imperial	0,58
Bidvest Group Ltd	1,57	Investec Ltd	0,40
British American Tobacco	3,38	Investec Plc	1,01

Components of FTSE/JSE Top 40 Index

Index Weights – Basket of Constituents (as at June 2014) FTSE/JSE Top 40 Index			
	Market Cap Weighted (%)		Market Cap Weighted (%)
Intu Properties Plc	0,88	Remgro Ltd	1,91
Kumba Iron Ore Ltd	0,34	RMB Holdings Ltd	0,63
Life Healthcare Grp Hldgs	0,69	SABMiller Plc	10,26
Mediclinic International Ltd	0,60	Sanlam Ltd	1,85
Mondi Ltd	0,39	Sasol Ltd	5,93
Mondi Plc	1,20	Shoprite Holdings Ltd	1,21
MTN Group	6,68	Standard Bank Group Ltd	3,03
Naspers Ltd -N-	8,88	Steinhoff International Hldg	2,34
Nedbank Group Ltd	0,81	Tiger Brands Ltd	0,77
Old Mutual Plc	2,95	Vodacom Group	0,71
Reinet Inv Soc Anon	0,64	Woolworths Holdings Ltd	1,03

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.**

Continued/...

The Case for ETPs (continued)

Low costs

Average Total Expense Ratios (TERs)*		
	% p.a.	bps
Domestic Exchange Traded Fund	0,33%	33
Unit Trust Index Trackers	0,76%	76
General Equity Unit Trust	1,56%	156

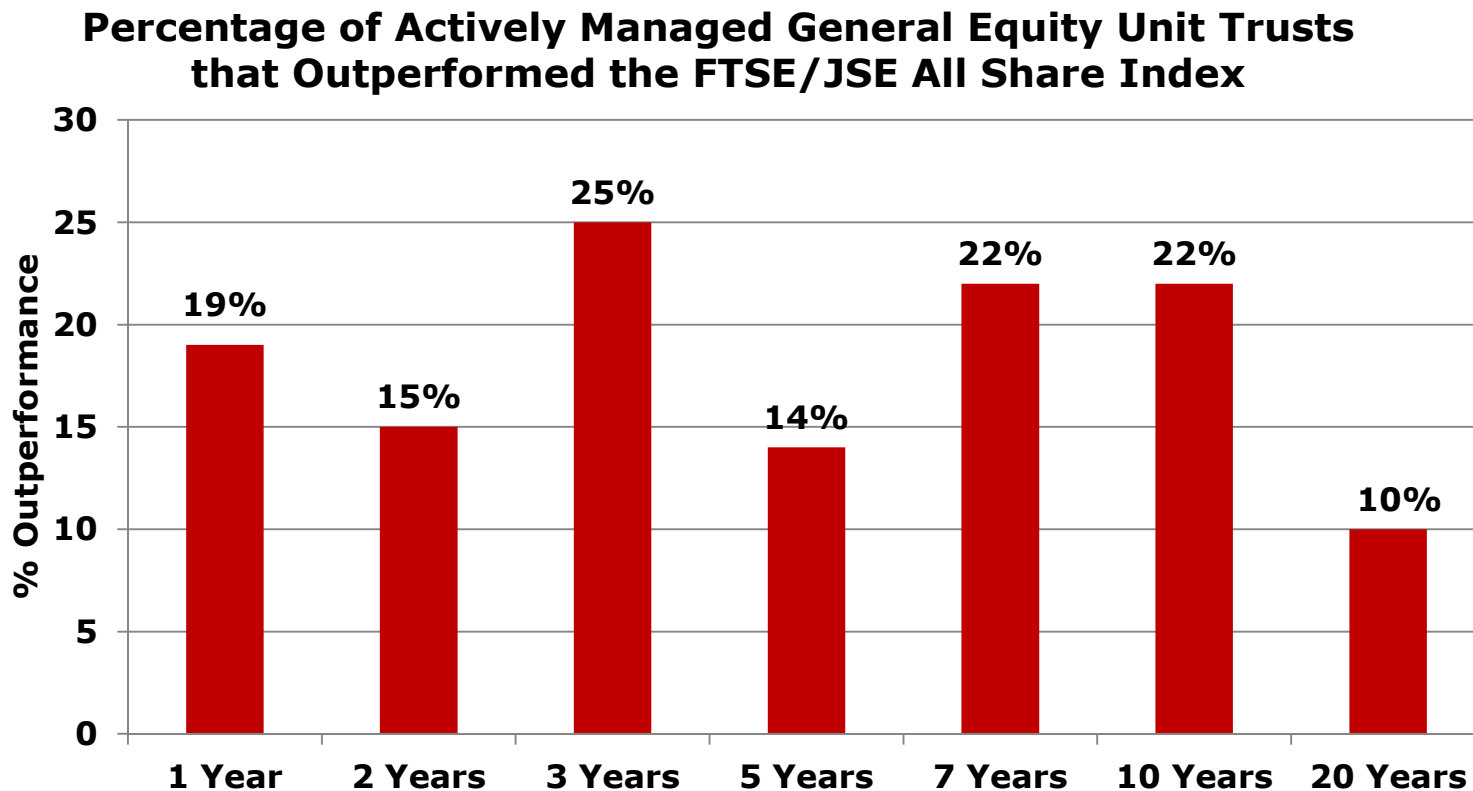
- Low brokerage schemes are available for purchase of ETFs through Investment Plans, etc. (similar to LISP platforms for unit trusts).
- No STT (Securities Transfer Tax) of 0,25% payable for ETFs.
- Passive tracking index reduces portfolio churn and undisclosed transaction costs.

***Note: TERs are not consciously paid by the investor, they are embedded in the price of the product.**

Continued/...

The Case for ETFS (continued)

They outperform 80% of Actively Managed Portfolios Over Time



Source: ASISA Unit Trust Survey (30 June 2014)

The South African ETP Industry

South African ETP Industry						
Issuer	Brands	Market Capitalisation (RM)		Total Market Capitalisation (Rm)	No of products	
		ETFs	ETNs		ETFs	ETNs
ABSA	NewFunds	42 155,4	196,1	42 351,5	16	5
	NewWave					
	NewGold					
BNP Paribas	GURU		20 400,0*	20 400,0*		4
Sanlam	Satrix	14 065,4		14 065,4	7	
Deutsche Bank	DBX Tracker	6 851,1	3 800,2*	10 651,3	5	3
Standard Bank	-	4 326,1	1 477,5*	5 803,6	3	10
Standard Liberty	Stanlib	3 595,6		3 595,6	3	
Investec Capital	-		1 836,7*	1 836,7	3	
Rand Merchant Bank	-	1 375,7	253,4	1 629,1	3	2
Grindrod Bank	GTrax	517,4		517,4	5	
Nedbank Capital	BettaBeta	294,9		294,9	2	
Totals		73 181,6	27 963,9	101 145,5	44	27
Source:	JSE/etfSA.co.za/Profile Data.					
*	Securities in issue.					

Building Up Wealth

R1000 per month in Satrix INDI 25 ETF

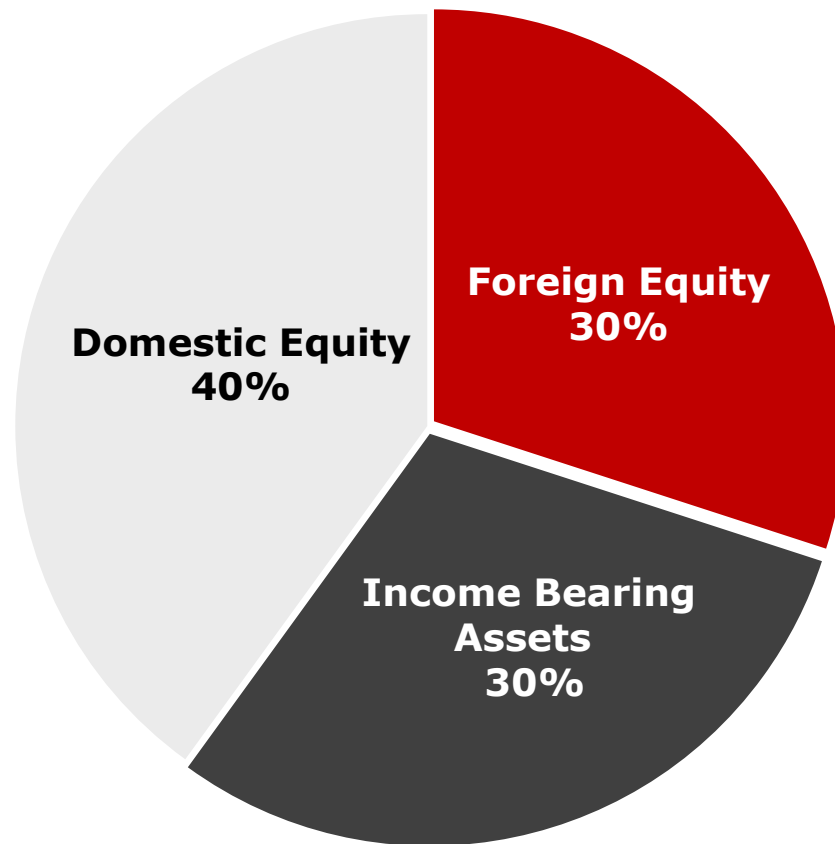
	Current Value*				
	1 Year	3 Year (R)	5 Year (R)	10 Year (R)	20 year** (R)
Satrix INDI 25 ETF	13 640	57 380	124 780	422 400	4 638 600
* Current value of R1000 per month investment over 1-10 years for period ended 19 June 2014					
** Extrapolated return based on 2004-2014 returns.					
Source: etfSA.co.za / Profile Data.					
Note: Historic returns may not be repeated in future.					

Building Up Wealth

R1000 per month in ETF Portfolio

Fund	Amount Allocated (%)	Current Value* After 3 Year Investment (R)	Current Value* After 5 Year Investment (R)
Domestic Equities			
Satrix INDI 25 ETF	1 000	56 630	123 150
Foreign Equity & Assets			
DBX Tracker MSCI USA ETF	1 000	58 340	120 000
Listed Property			
Proptrax SAPY ETF	1 000	44 600	90 500
Bonds			
RMB Inflation-X ETF	1 000	41 430	77 480
Totals	R4 000 (per month)	R201 000	R411 130
*	<i>Current value of lump sum investment done 3 and 5 years ago.</i>		
Source:	<i>etfSA.co.za / Profile Data (28/7/2014).</i>		
Note:	<i>Historical returns may not be repeated in future.</i>		

Typical Asset Allocation



Balanced Portfolio

(multi asset class)

ETF Balanced Portfolio	Amount Allocated (%)	3 Year Total Return* (% per annum)	5 Year Total Return* (% per annum)
Domestic Equity			
Satrix INDI 25 ETF	20%	31,59%	30,59%
NewFunds eRAFI FINI ETF	10%	28,33%	24,51%
NewFunds eRAFI Overall	10%	19,32%	19,79%
Foreign Equity			
DBX Tracker MSCI USA ETF	15%	33,41%	24,93%
DBX Tracker MSCI World ETF	15%	28,49%	21,34%
Interest Bearing Assets			
NewFunds ILBI ETF**	15%	11,42%	10,10%
Proptrax SAPY ETF	15%	16,49%	19,51%
Totals	100%	24,41%	21,95%
Multi Asset Unit Trusts			
Low Equity Fund***	-	11,68%	11,00%
High Equity Funds***	-	15,55%	15,12%
Flexible Funds	-	15,75%	15,39%

*	Total return with all dividends reinvested.
**	Based on ILBI index returns.
***	Average returns for all unit trusts in this sector.

Source:	ASISA – Quarterly Unit Trust Survey (June 2014)
Note:	Historical returns may not be repeated in future.

Starting & Managing an Investor Club/ Stokvel

FICA REQUIREMENTS (to be sent to investment administrators)

- **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 ETPs In Investor Clubs / Stokvels


- **Less risk (more diversification) by using ETP 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 ETPs In Investor Clubs / Stokvels

▶ Buffett is now as Sharpe as Bogle

▶ News Archive

Events & Services 

▶ Seminars

▶ Presentations

▶ Monthly Performance Data

▶ Quarterly Performance Data

▶ Annual Performance Data

▶ Application Forms

▶ Fees and Charges

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
- ▶ ETN - Full Fact Sheets
- ▶ [Click here](#) to view a brief description of the different types of ETFs/ETNs

Learn more about...

Investor Clubs /
Stokvels

< click here >

Third-Party
Investments

< click here >

2014 Seminar Dates

SEMINAR
PRESENTATIONS
<click here>

EVERYTHING
YOU NEED TO
KNOW ABOUT
ETFs & ETNs



Quick Facts on ETFs

Google+

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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Comparison on Transaction Costs

**Online stockbroker & etfSA Investor Plan
R5000 per month debit order in 5 ETFs (R1000 per ETF)**

	Total Charge (R)	
	Monthly	Annual
Online Stockbroker		
Stockbrokerage (0,5% per transaction or R50 minimum fee) per transaction	250	3 000
Settlement charges (R12,45 per transaction)	62	747
Administration fee	60	720
Total	372	4 467
etfSA.co.za		
Stockbrokerage (0,1%)	5	60
Settlement charges	-	-
Debit order charge	3,50	42
Admin fee (0,7% per annum)	35	213
Total	43,50	315

Contact details

Websites	www.etfsa.co.za – fully internet based www.etfsara.co.za (etfSA RA Fund)
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