

Reaching your investment goals using ETPs

October 2024

ETFSA Portfolio Management Company (Pty) Ltd, 2012/019954/07

Registered Financial Services Provider, FSP 52314

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The logo for ETFSA, featuring the letters 'ETFSA' in a bold, sans-serif font. The 'E' and 'F' are red, while the 'S' and 'A' are black.



Markets at a glance

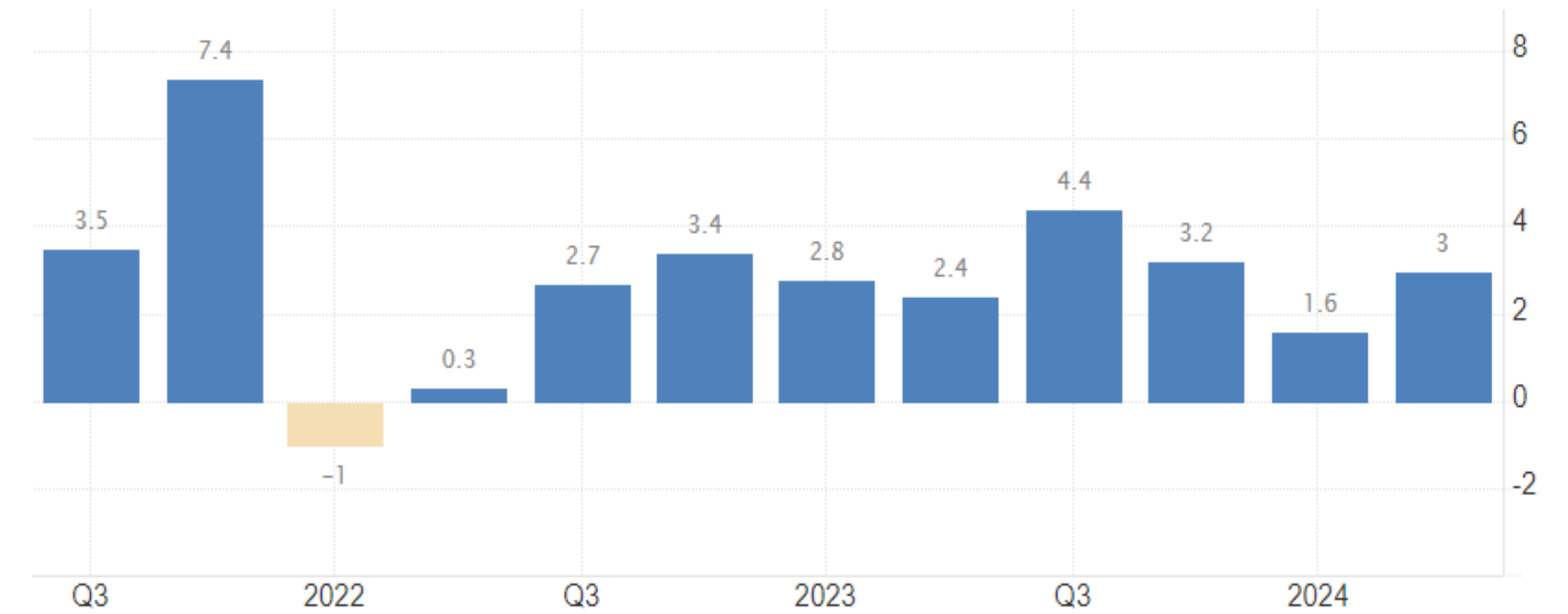
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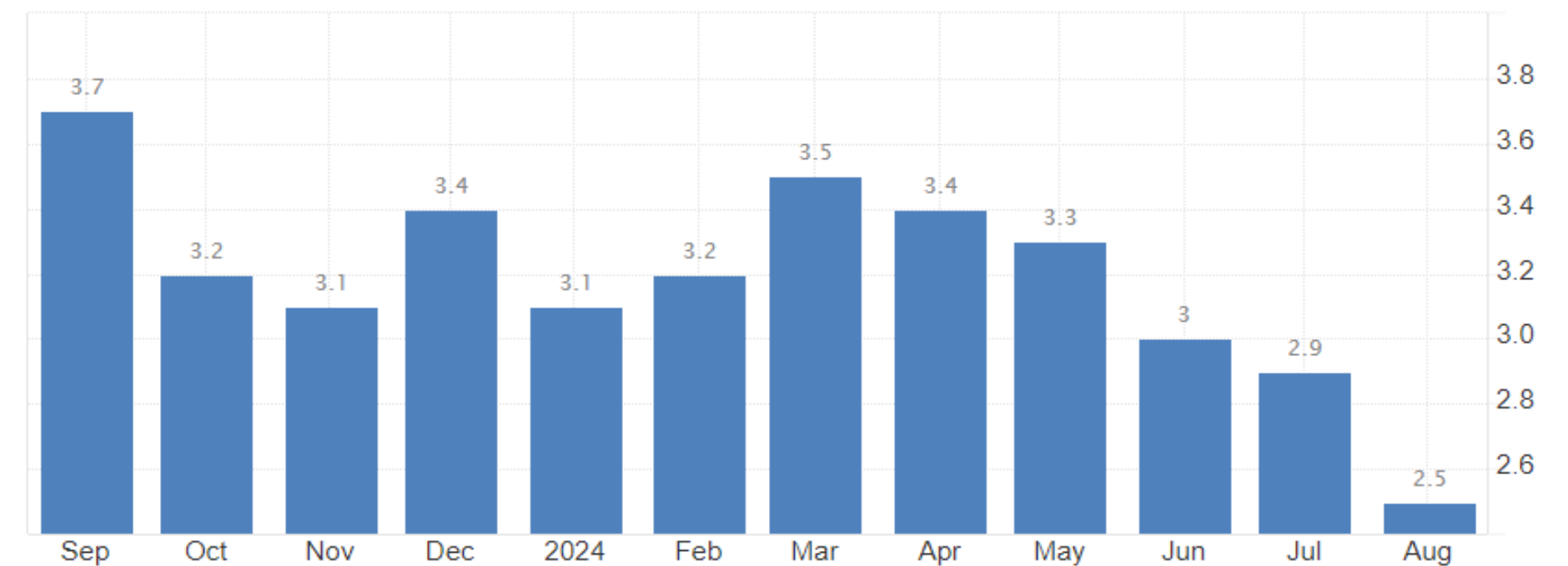
Key Factors

- Decline in bank lending rates from September 2024
- Inflation falling
- Global growth steady
- Doubts about China

US Real GDP Growth – What Recession?



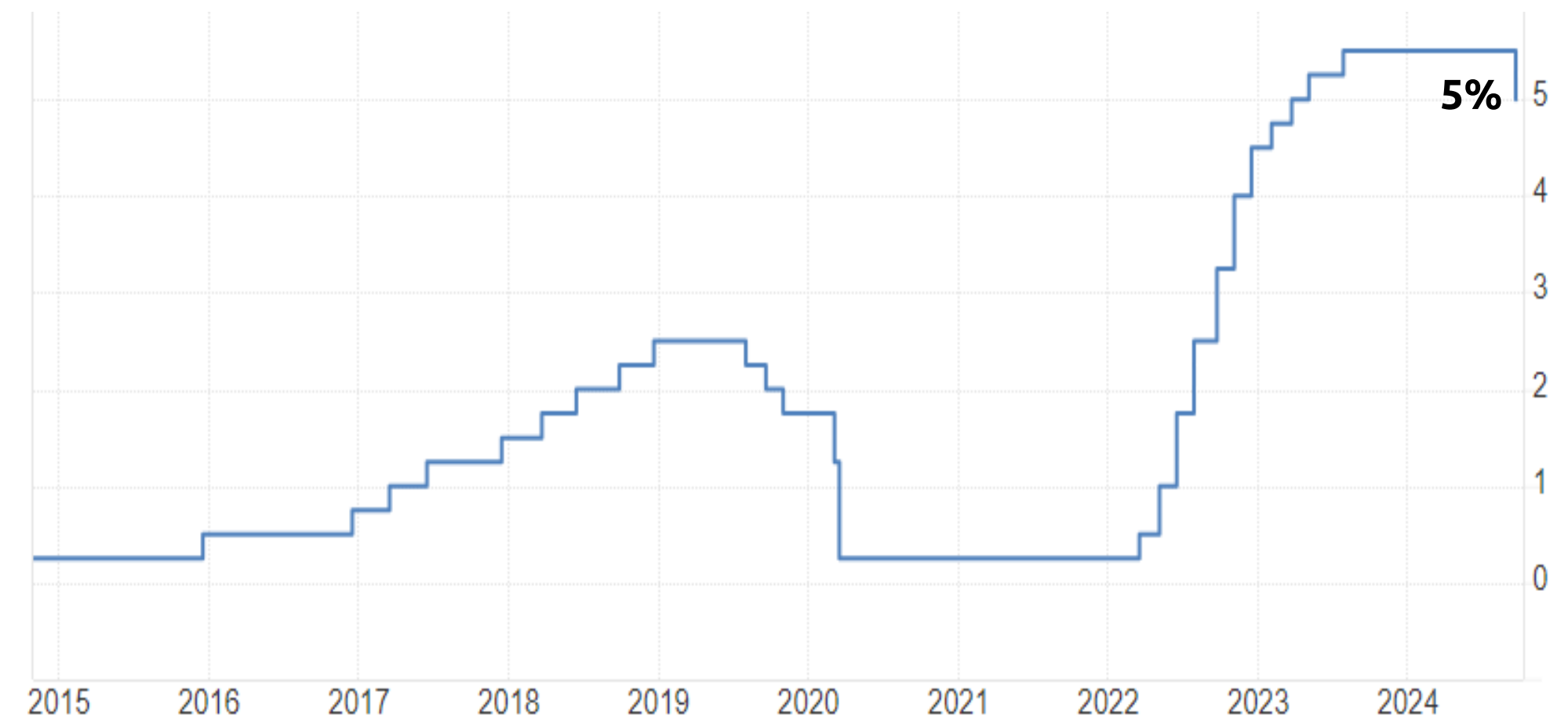
US Inflation - has fallen from 9.1% in mid-2022, to 2.5% in Aug 2024





Interest Rates now turning down – will extend the economic recovery globally.

US Fed Funds Rate – Past 10 Years

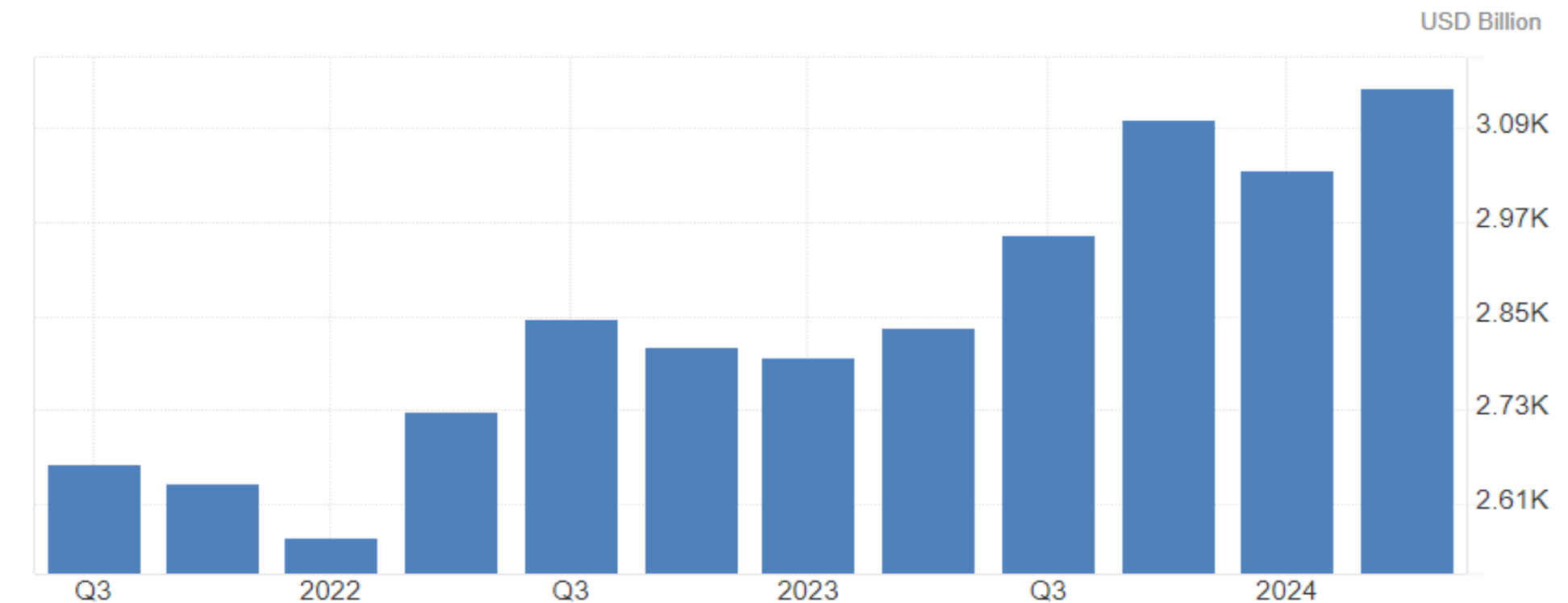




US Corporate Profits

Global Market Outlook

- Healthy **US equity** returns likely to continue, driven by earnings growth and lower interest rates.
- **Developed markets equity** – performing relatively well, some upside?
- **Emerging markets** – caution.
- **Bonds** – rate cuts are priced in.



US 10-year Treasury Bond Rates





Negative ✘

- Annualised real GDP still low.
- Balance of trade becoming negative as imports rise.
- Whilst progress made, much to catch up in structural reform .

Positive ✓

- GNU has improved business and consumer sentiment.
- Project Vulindlela set to continue.
- Respite from loadshedding .
- Increasing private sector infrastructure funding.
- Two-Pots bonanza.
- Interest rates now in reduction cycle.
- Inflation falling.



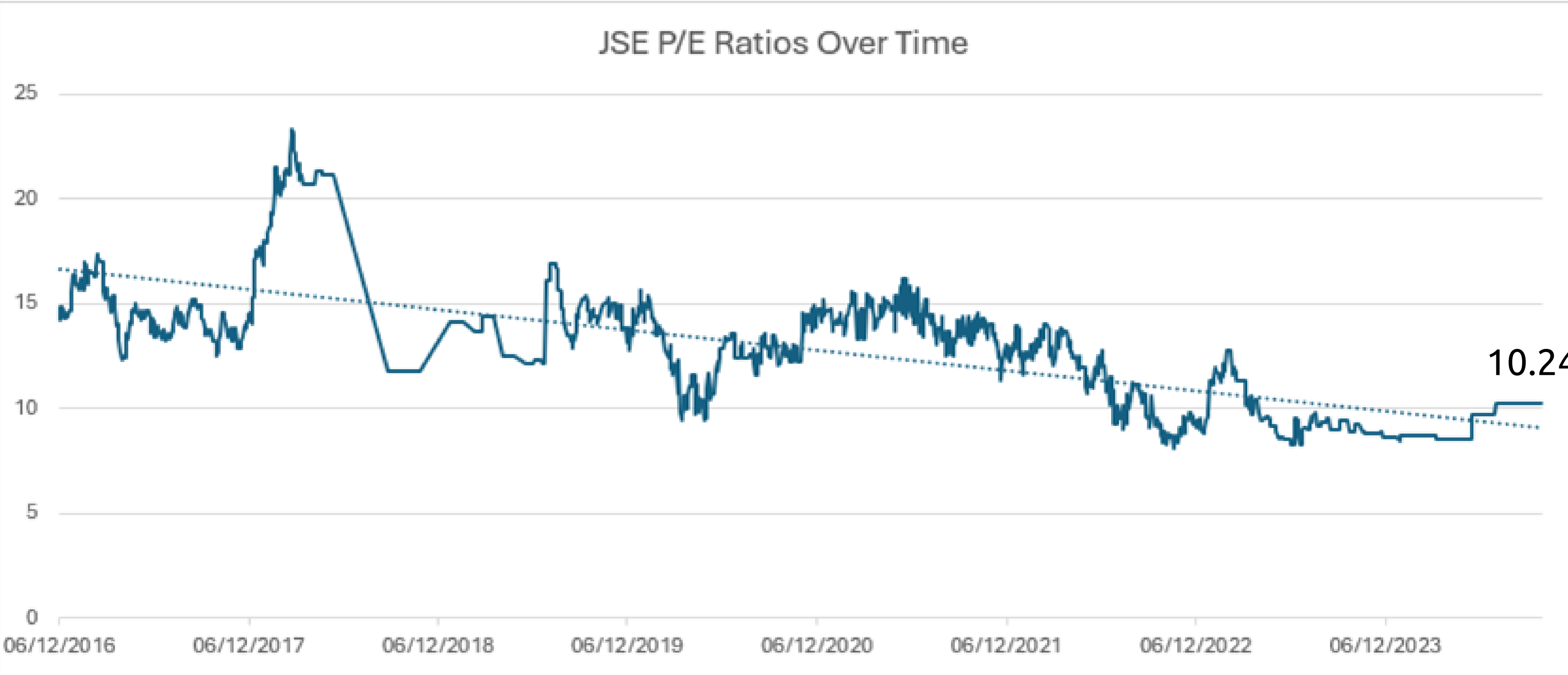
SA Equity Markets

- Still cheap
 - P:E well below historical average
- 'SA Inc' stocks to set to benefit
 - Large cap and Mid cap indices
- Our favored sectors:
 - Financials
 - Industrials
 - Property

SA Bonds

- Yield curve still relatively steep
- Improved prospects:
 - Reduction in global yields
 - Possible removal from gray listing in 2025
 - Income ETPs now offer a high yield option with lower capital risk

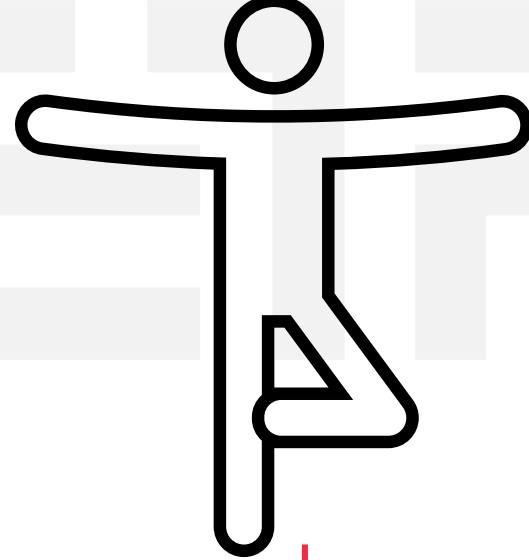
SA Equity Valuations Attractive



Source: YCharts.com (03 October 2024)

**Goal 1: Building the foundation of
your long-term investment plan**

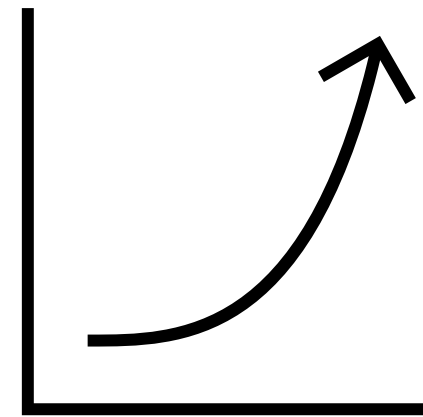
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Growth Assets

- **Shares or Equity**
- **Listed Property**

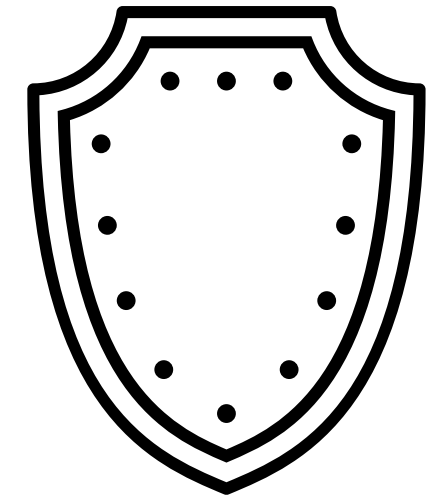
- **More Volatility**
- **Focus on capital growth**
- **Higher expected returns**



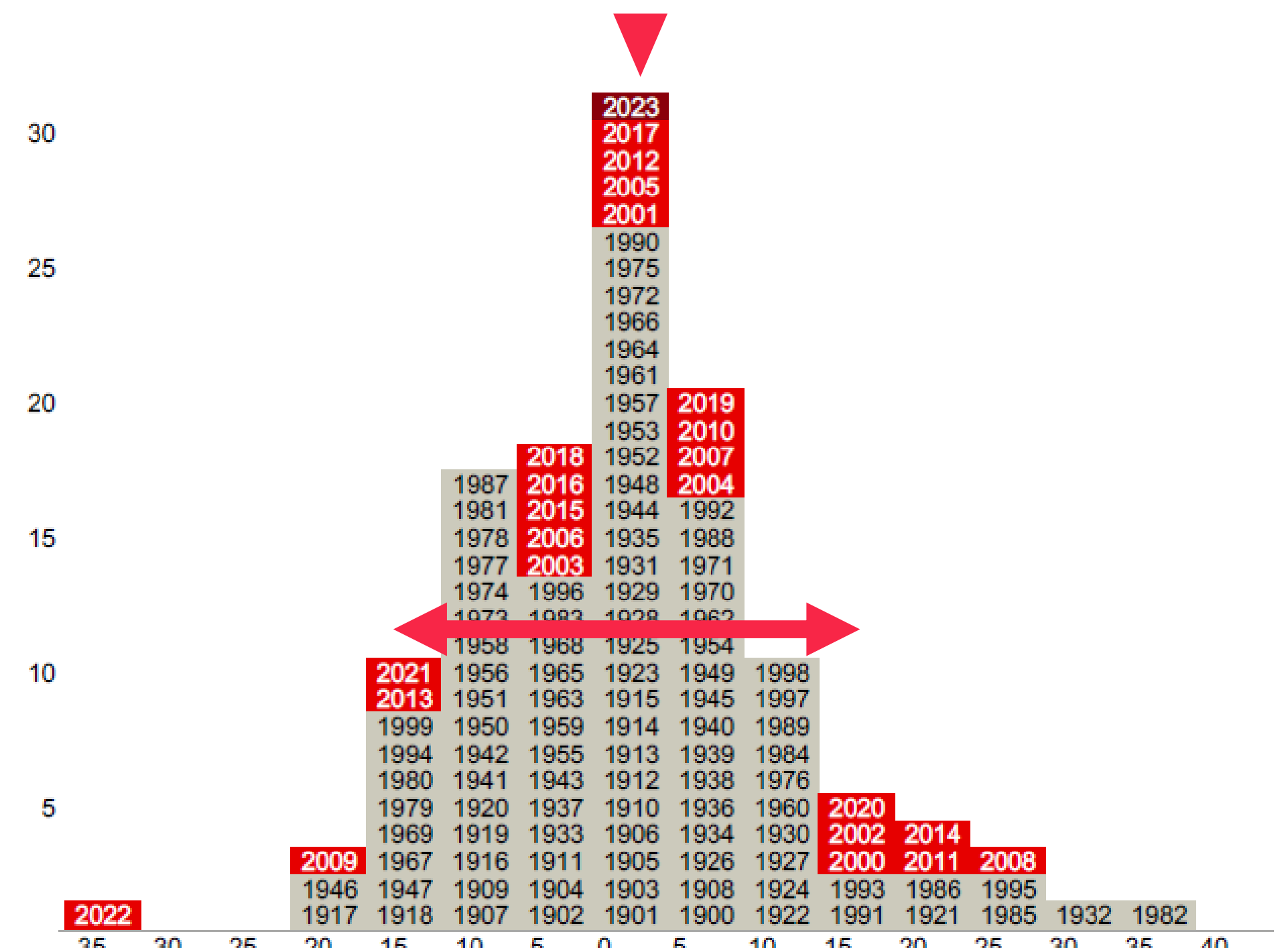
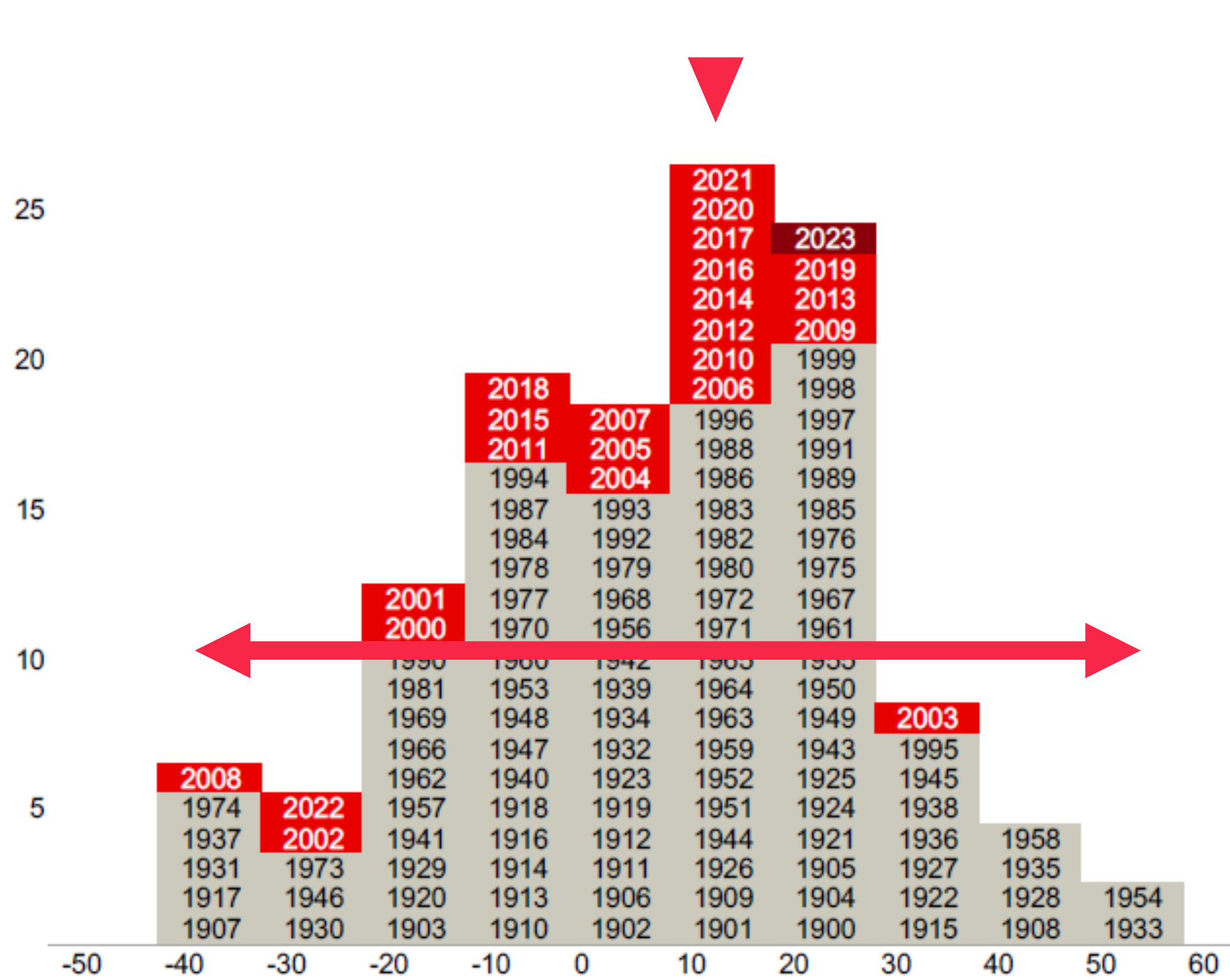
Defensive Assets

- **Bonds / Debt**
- **Cash**

- **Less Volatility**
- **Higher yield generation**
- **Lower total return expectations**



Growth assets vs defensive assets



Source: UBS Global Investment Returns Yearbook 2024 (DMS Data set)

But with choice comes complexity..

How does one build a portfolio?



Introducing our New
**BALANCED FOUNDATION
PRESCIENT AM-ETF**

A market-first ETF that blends stability with long-term growth.



Setting the FOUNDATION of your portfolio

Achieving an Outcome!

Long term wealth creation by aiming to comfortably outperform inflation over the long-term (5yrs +)

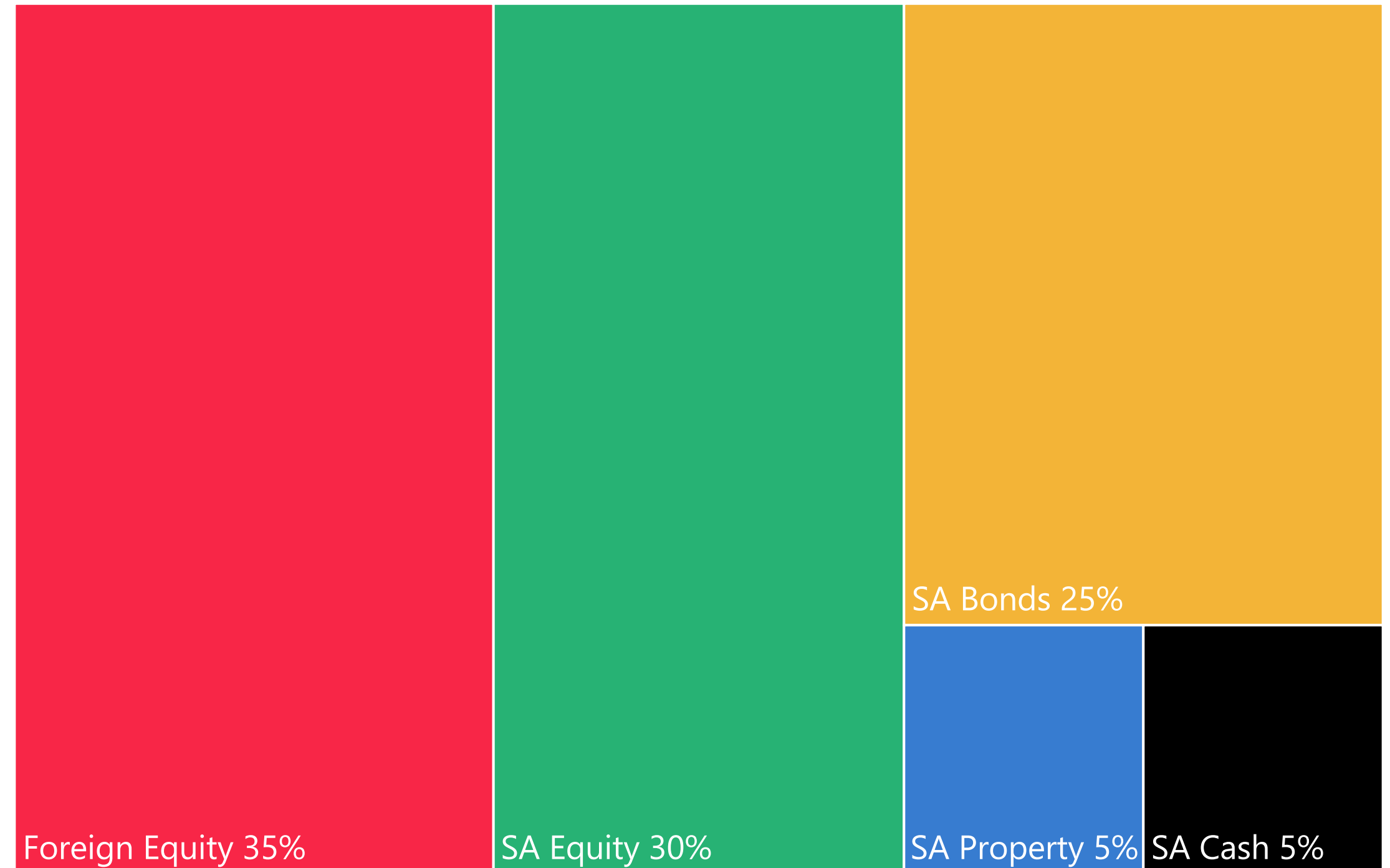
Balancing between growth assets 70% & defensive assets 30%

Growth & Income

Diversified exposure to major asset classes

A **foundational** (core) product to anchor your portfolio

Asset Allocation

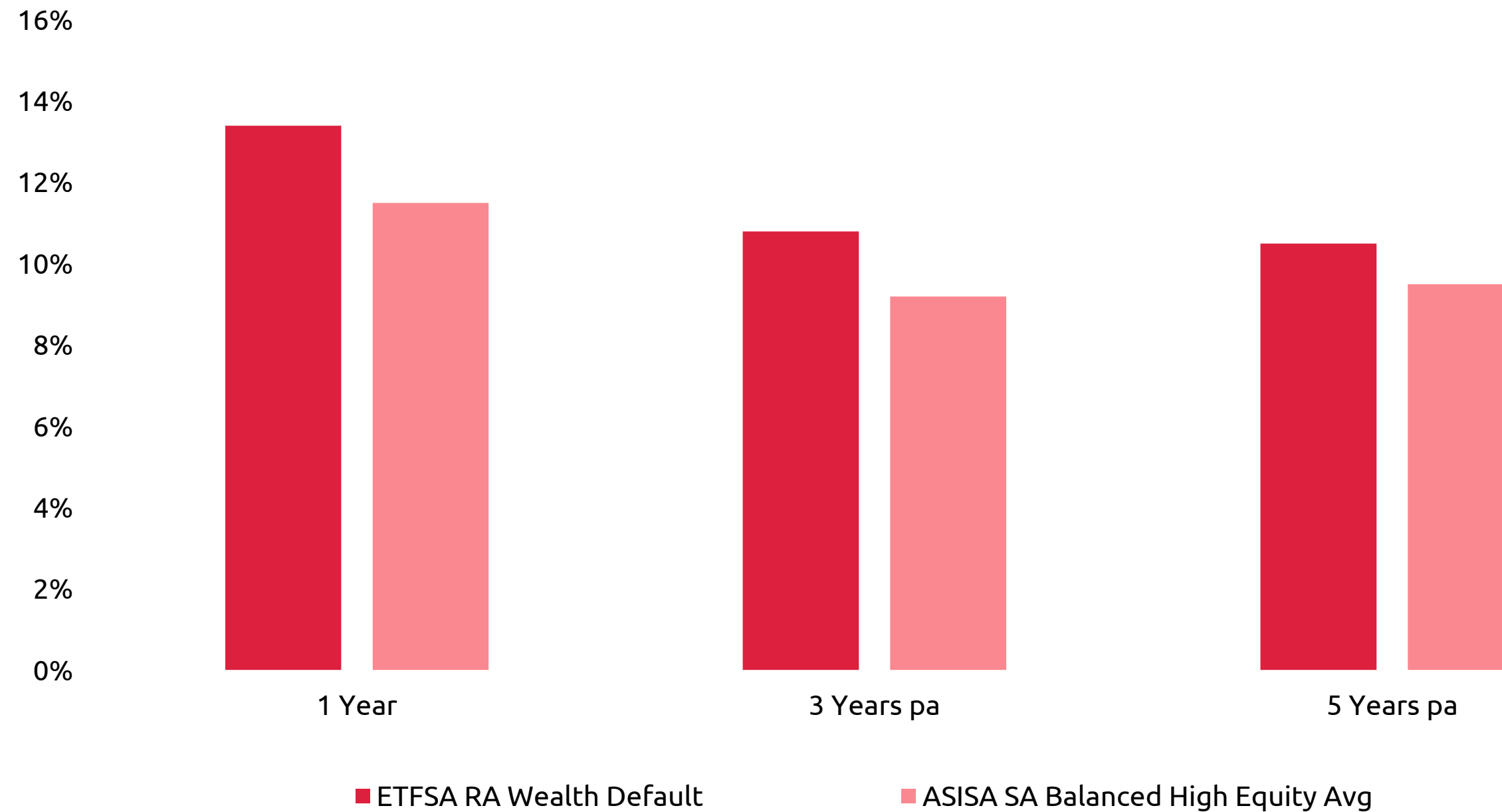


One ETF = ETFSAB

The ETFSA Balanced Foundation Prescient AMETF (ETFSAAB)



1-5 Year Total Investment Returns



Source: ProfileData, ETFSA (July 2024).

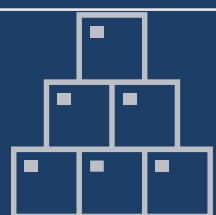
Past performance is not indicative of future performance.

The returns depicted above are that of the ETFSA RA Wealth Default Portfolio and not that of the ETFSA Balanced Foundation AMETF. The ETFSAAB mirrors the same strategy of the ETFSA RA Wealth Default Portfolio and Performance figures are used for illustrative purposes only.

The ETFSA Balanced Foundation Prescient AMETF



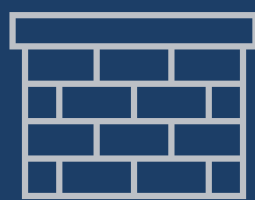
All major asset classes: MSCI ACWI, JSE FTSE Capped ALSI, SA bonds, amongst others.



Utilizes best in class ETFs: SATRIX, 10X, 1Nvest



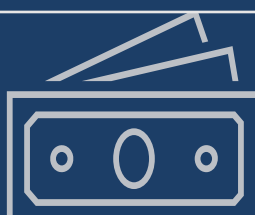
A solid track record



A market first, offering Reg28 compliance including offshore



ETFSA in partnership with Prescient Fund Management Services.



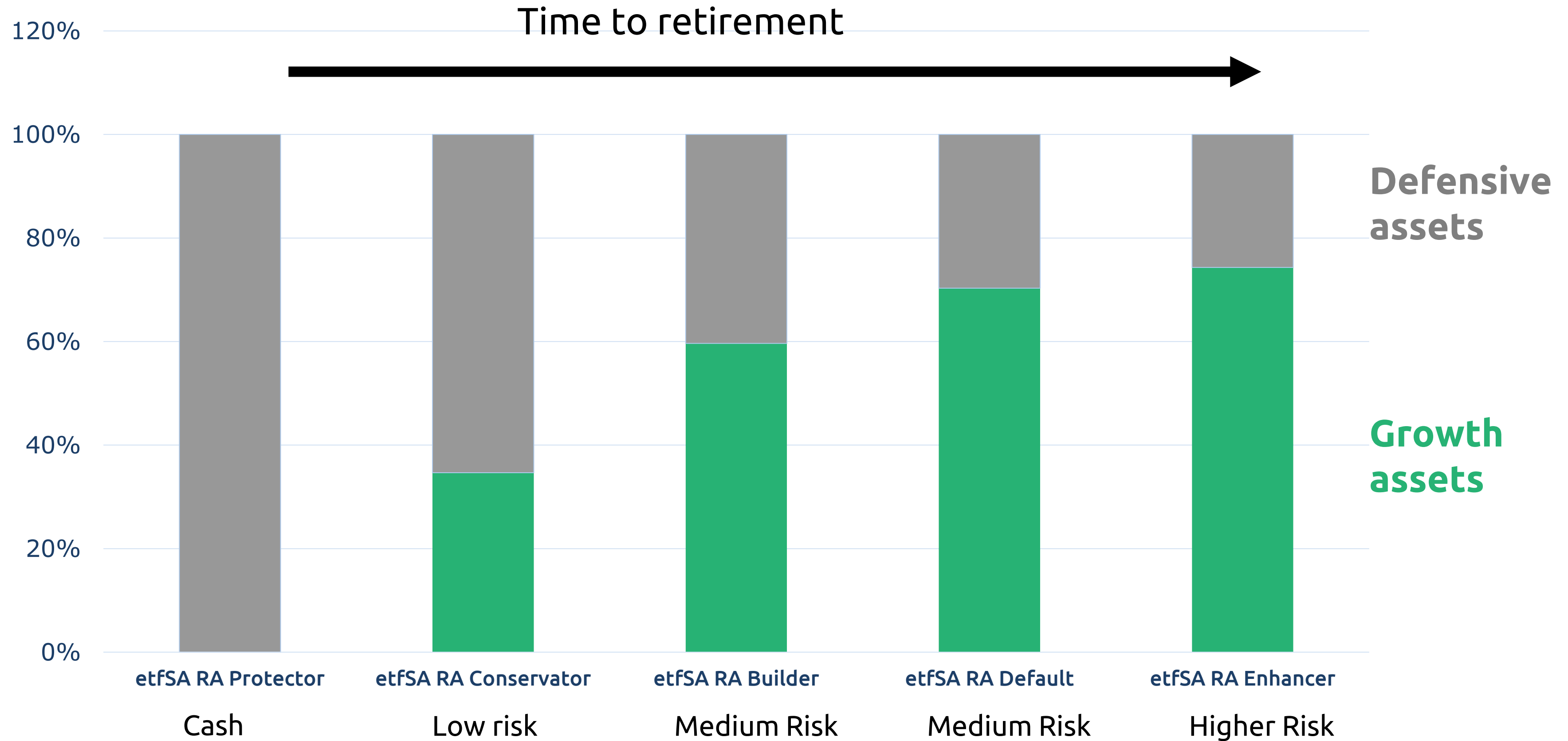
Expected TER of **0.52%**.

**Goal 2: Saving for retirement
AND managing all your pots!**

ETFSA

- A unique Retirement Fund focused on **ETF portfolios**
 - **A range of model portfolios suited to you**
- **Low cost:** 1% fund + 0.25% portfolio management
- **Tax efficient:** Contributions are tax-deductible and the fund is CGT exempt
- **Flexible and user friendly:** Can start at any stage of life and can vary contributions
- **Long term focused:** You can retire from this policy anytime after you turn 55 years
- **Safe and well governed:** Governed by the Pension Funds Act


Portfolios on the ETFSA Retirement Annuity Fund:



The Two pot system is now live

Contributions before
1st September 2024




10% or max. of R30 000
transferred to savings pot on
1st September 2024

Contributions from
1 September 2024

1 third



Can withdraw
once per tax
year

2 thirds

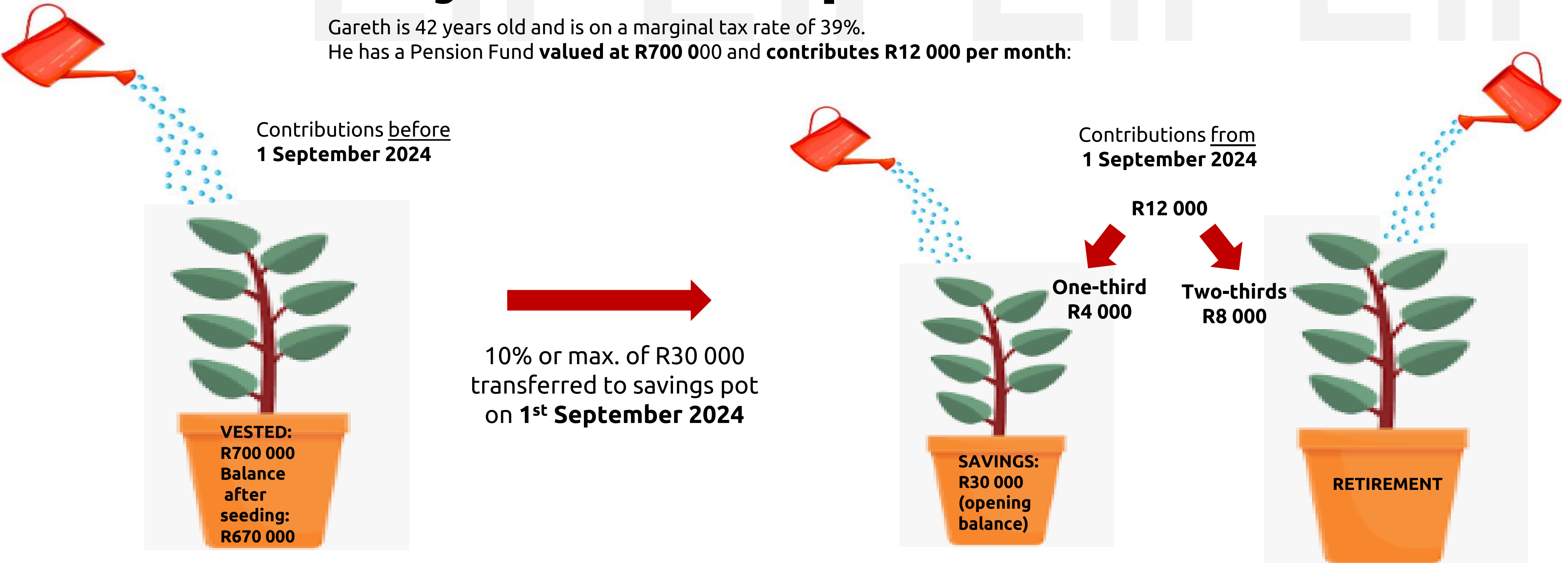


Only
accessible at
55 years

“Two Pot” System example

Gareth is 42 years old and is on a marginal tax rate of 39%.

He has a Pension Fund valued at R700 000 and contributes R12 000 per month:



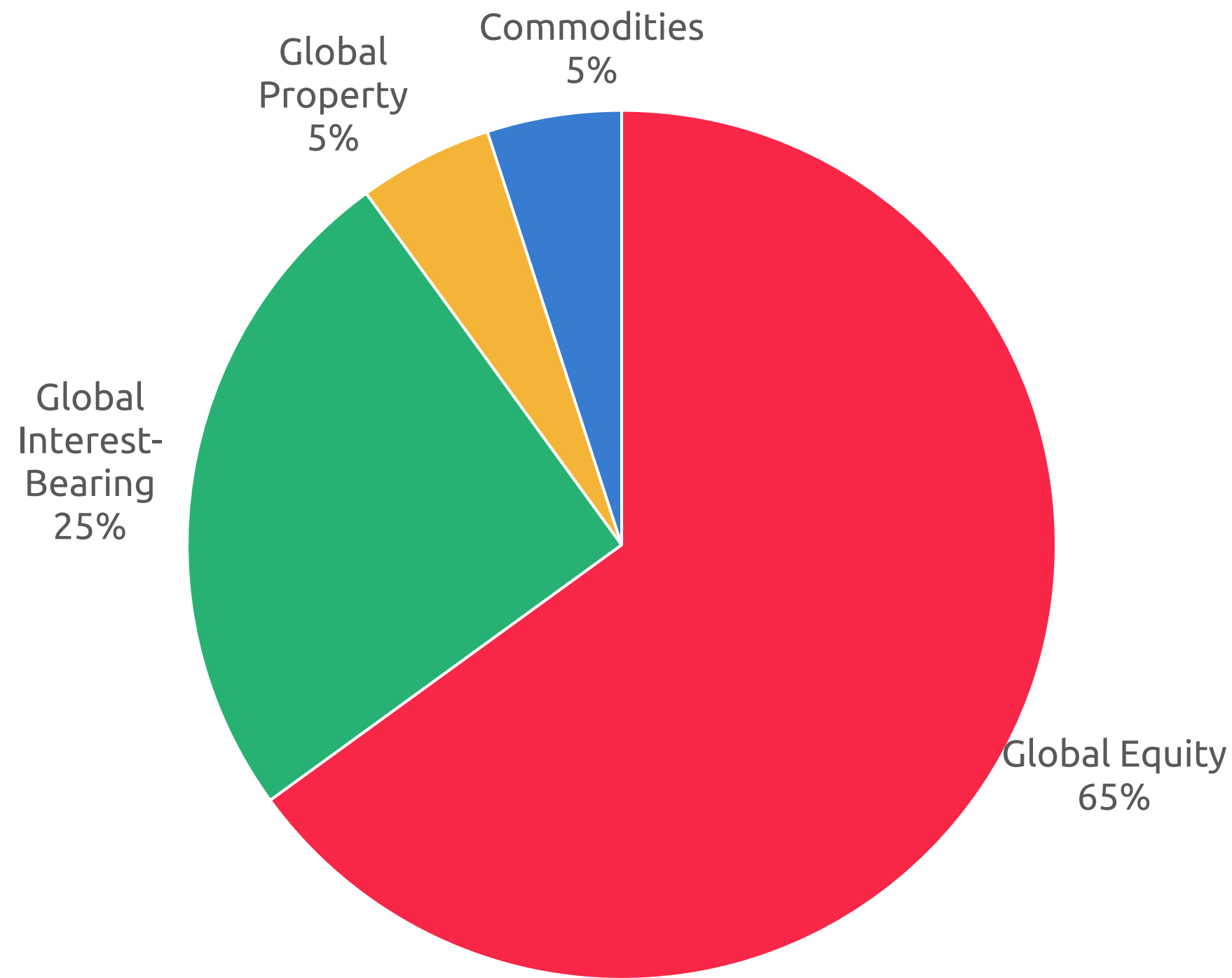
Important points from example

1. **Vested component** – at retirement, he can take R223 333 plus return, cash and R446 667 plus return, to a living annuity product.
2. **Savings component** – he has immediate access to withdraw these funds, subject to tax, once a year.
3. **Retirement component** – money in this retirement pot will be used to purchase a living annuity product which will provide him with a pension.

Goal 3: Investing offshore in your retirement

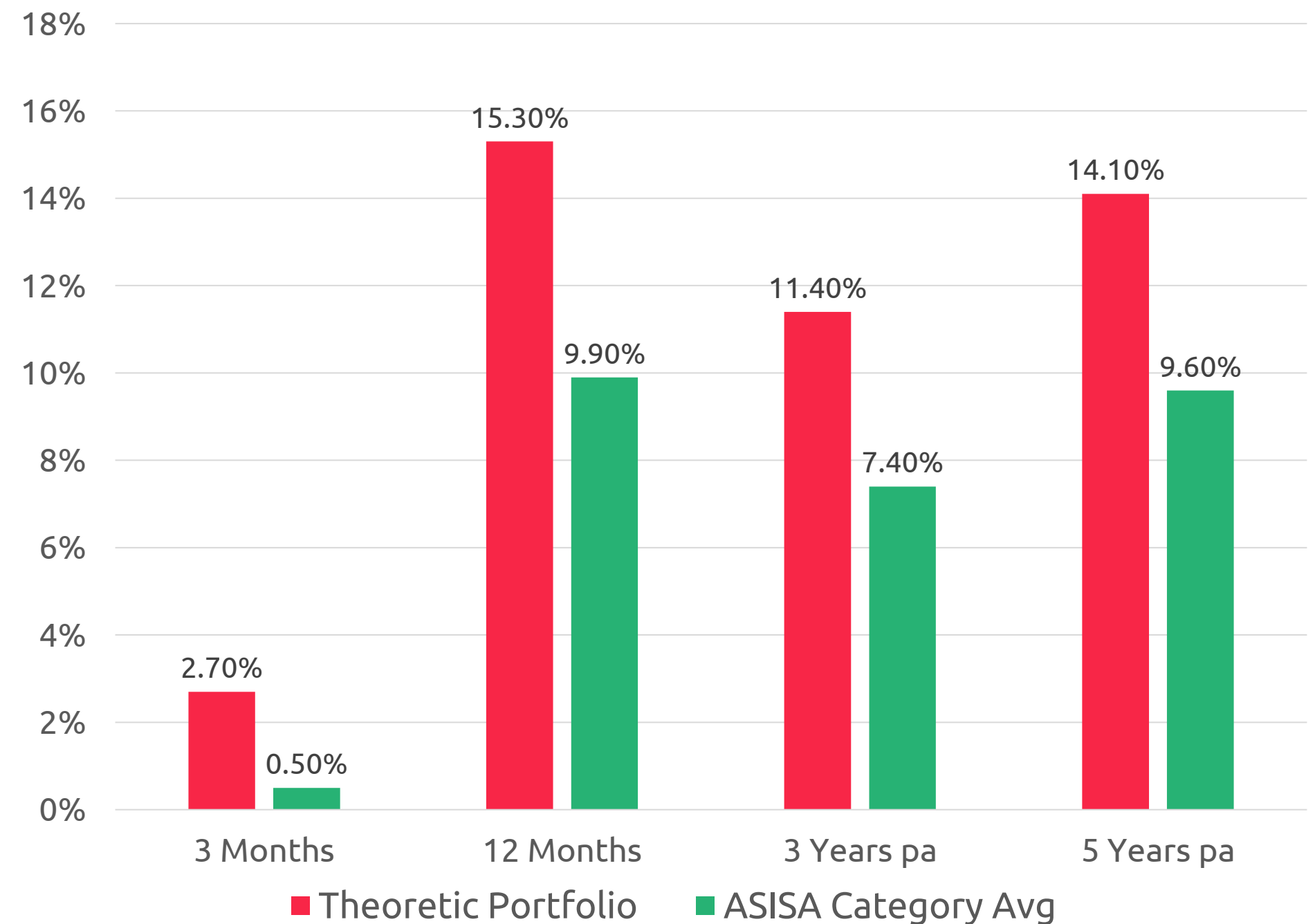
Introducing the Oyster portfolio – for Living Annuity Members **ETFSA**

ETFSA Wealth Oyster Portfolio Asset Allocation



Strategic and Rules Based

Wealth Oyster Portfolio & Composite Benchmark Indicative Returns (%)



Source: MSCI, Iress, ETFSA calculations (31 July 2024)

What does the Oyster Portfolio offer to ETFSA Living Annuity members?



- **100% offshore** exposure, with no foreign exchange capacity constraints.
- A **balanced portfolio** of bonds, equities, listed property and commodities.
- **Low costs** – from 0,85% to 1,24% per annum for the total LA (with 0,10% excess per annum), for the Oyster portfolio.
- Should be part of your portfolio choices – particularly for building capital over 5 years and longer.

Goal 4: Hard currency portfolios

Rationale for global investment & avoiding ones' home bias

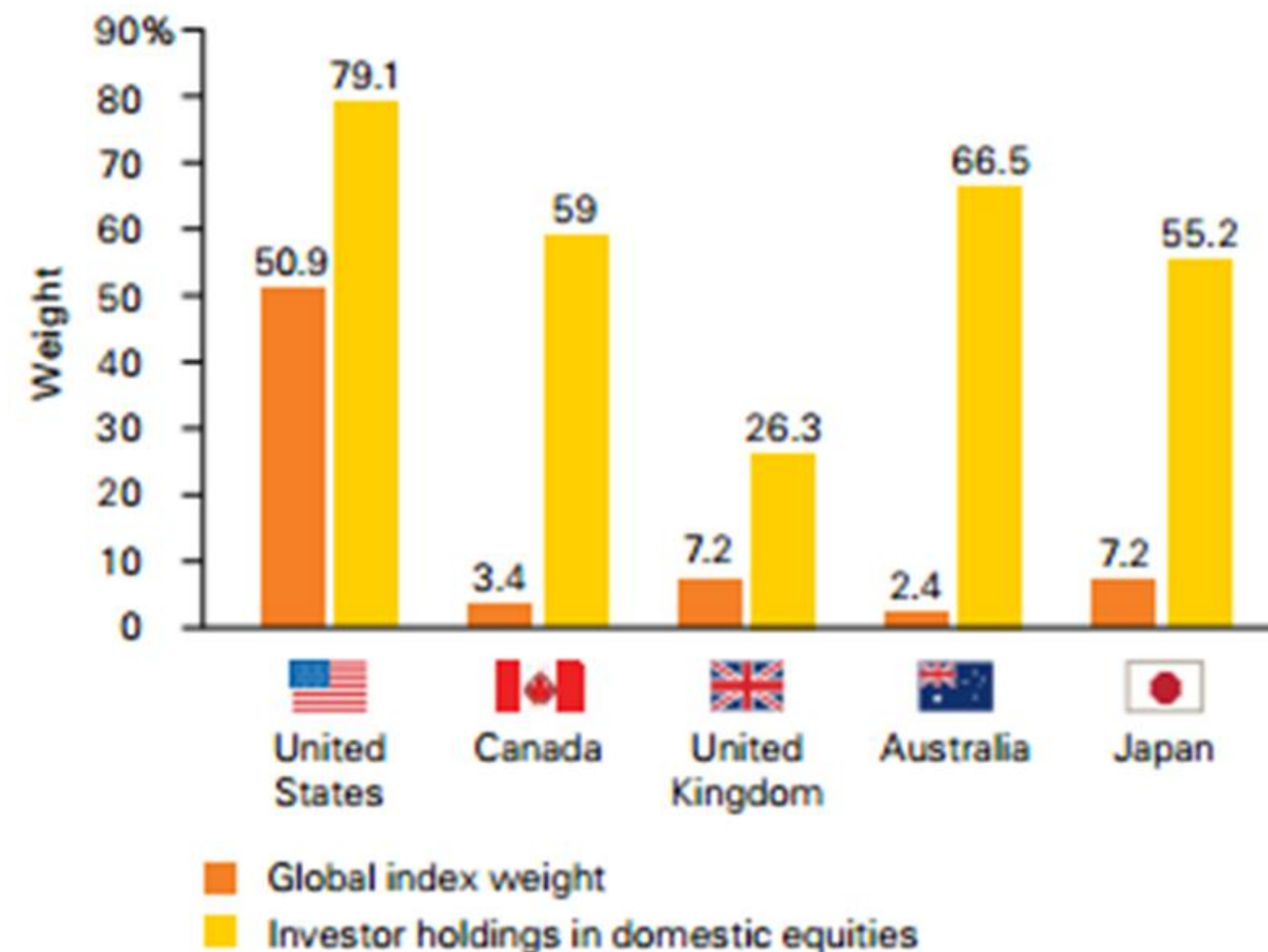
- **Diversification:**

- Currency
- Sectors
- Countries

- **Concentration of ZAR assets:**

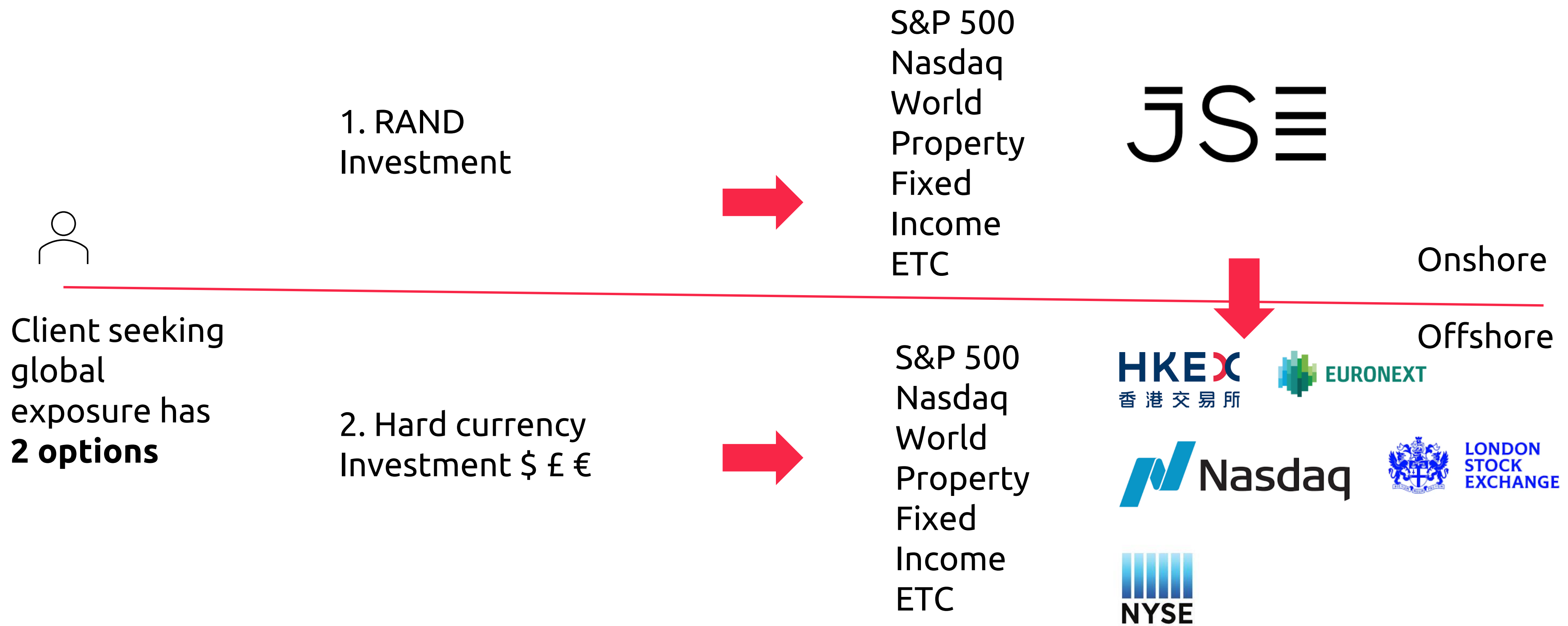
- Primary residence
- Pension
- Future ZAR earnings

Figure 5. Equity market home bias by country



Source: Vanguard, Seeking Alpha

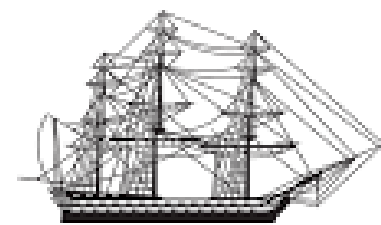
All major markets and asset classes available via ETFs



ETFSA Global Managed Portfolios \$ - £ - €



- All ETFs held offshore through global custodian (Citibank)
- Bespoke portfolios designed to meet requirements of individual investor (growth, income, balance etc.)
- For hard currency accounts and investment funds held fully offshore
- Management fee 1,00% p/a (admin, advice, portfolio management)



Disclaimer

The Exchange Traded Products (ETPs) contained herein are mainly Collective Investment Schemes in Securities (CIS) and other listed securities which are generally medium to long-term investments that contain elements of risk and can be affected by market values, interest rates, exchange rates, volatility, dividend yields and issuer credit ratings. ETPs are listed on the Johannesburg, or other Stock Exchanges, and trade at ruling prices on such Exchanges.

The price of ETPs can go up as well as down and past performance is not necessarily a guide to the future. The ETP's herein are listed on the Johannesburg Stock Exchange Limited and trading in ETP securities will incur trading and settlement costs. ETF securities are traded at ruling prices and can engage in scrip lending.

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