

Introduction of the Wealth Velocity Portfolio

For ETFSA Retirement Annuity Fund Members

“A high growth, Regulation 28 Compliant portfolio for longer term retirement investors”

Contents		
		Page
1.	Introduction	1
2.	Portfolio Structure and Investment Strategy	1
3.	Wealth Velocity - Past Investment Returns (based on historic returns of proposed portfolio)	4
4.	Summary	6

1. INTRODUCTION TO THE WEALTH VELOCITY PORTFOLIO

The ETFSA Retirement Annuity (the ETFSA RA) currently offers five risk profiled portfolios to its members:

1. ETFSA RA Wealth Protector Portfolio (Cash)
2. ETFSA RA Wealth Conservator Portfolio (Income – Low Equity/Risk)
3. ETFSA RA Wealth Builder Portfolio (Balanced – Medium Equity/Risk)
4. ETFSA RA Wealth Default Portfolio (Strategic Asset Allocation Benchmark – Moderate Risk/High Equity category)
5. ETFSA RA Wealth Enhancer Portfolio (Balanced – High Equity/ Higher Risk)

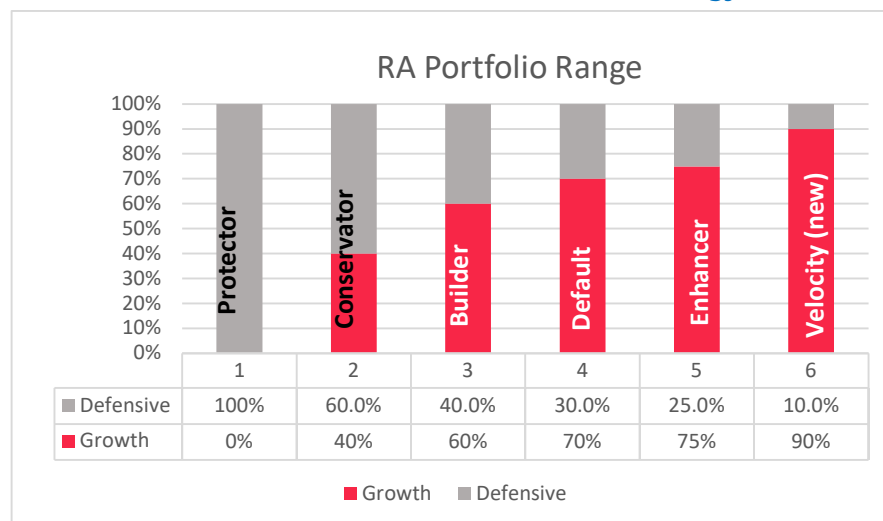
2. PORTFOLIO STRUCTURE AND INVESTMENT STRATEGY

Whereas the Wealth Enhancer portfolio, currently our most aggressive portfolio, has an allocation to growth assets of approximately 75%, Regulation 28 of the Pension Funds Act effectively allows for up to 90% in growth assets (albeit that this is achieved through a higher weighting to listed property of 15% as equities are constrained to a maximum of 75%).

Based on feedback we have received from members, we have launched a portfolio that seeks to maximize allocation to growth assets over extended periods of saving. This is premised on the observation in most markets that the risk premium afforded to growth assets like equities and listed property, should over the longer term (10 years plus) outperform defensive assets.

Accordingly, from the start of 2025, ETFSA has expanded its portfolio offering to RA Fund members with the introduction of a sixth portfolio – the **Wealth Velocity portfolio**:

Product Structure and Investment Strategy



The Wealth Velocity Portfolio will follow a rules-based approach with an overlay of systematic active management when required. As with the other portfolios, this portfolio will comprise low cost ETFs. Whilst the means of investing in the strategy may change, the fund manager aims to produce the same or very similar return/risk ratio relative to its strategic asset allocation framework.

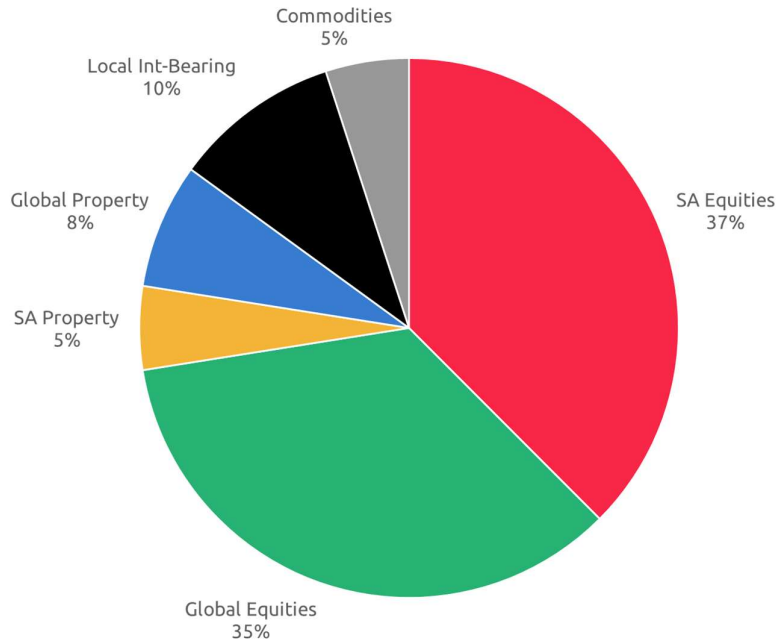
The Velocity Portfolio is aimed at investors who have a longer time horizon (>10 years) and a relatively high-risk tolerance. The strategic asset allocation has an allocation of 90% (or 85% if commodities is classified as defensive) towards growth assets and 10%/15% towards defensive assets.

Initial Wealth Velocity Portfolio

Asset Class and ETFs	Ticker	Allocation (% of total portfolio)
Local Equity		37.5%
Composite Benchmark: Capped SWIX		
FNB top 40 ETF	FNBT40	26.3%
FNB MidCap ETF	FNBMID	3.8%
Satrix Momentum	STXMMT	3.8%
Satrix Quality	STXQUA	3.8%
Global Equity		35.0%
Composite Benchmark: MSCI All Country World Index (ACWI) - ZAR		
Satrix MSCI ACWI Feeder ETF	STXACW	20.0%
1invest MSCI EM Asia Index Feeder ETF	ETFEMA	5.0%
Satrix Global Infrastructure Feeder ETF	STXIFR	5.0%
Satrix Nasdaq 100 ETF	STXNDQ	5.0%
Local Property		5.0%
Composite Benchmark: SAPY		
1invest SA Property ETF	ETFSAP	5.0%
Global Property		7.5%
Composite Benchmark: MSCI All Country World Index (ACQI) - ZAR		
1invest Global REIT Index Feeder ETF	ETFGRE	7.5%
Local Interest Bearing		10.0%
Composite Benchmark: ALBI		
10X Yield Selected Bond ETF	CSYSB	5.0%
PortfolioMetrix Active Income Prescient AMETF	PMXINC	5.0%
Commodities		5.0%
Composite Benchmark: Bloomberg Commodity Index		
UBS Coherent Capital Commodity Investment AMC	CCMGCZ	5.0%
Total		100%

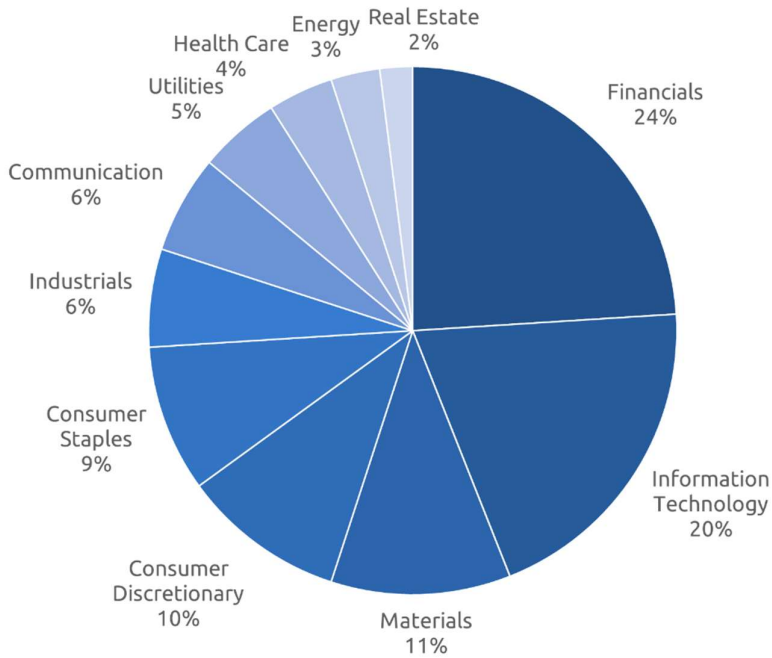
Wealth Velocity Strategic Asset Allocation

Wealth Velocity Portfolio Strategic Asset Allocation



Wealth Velocity Sector Exposure – as at 10 January 2025

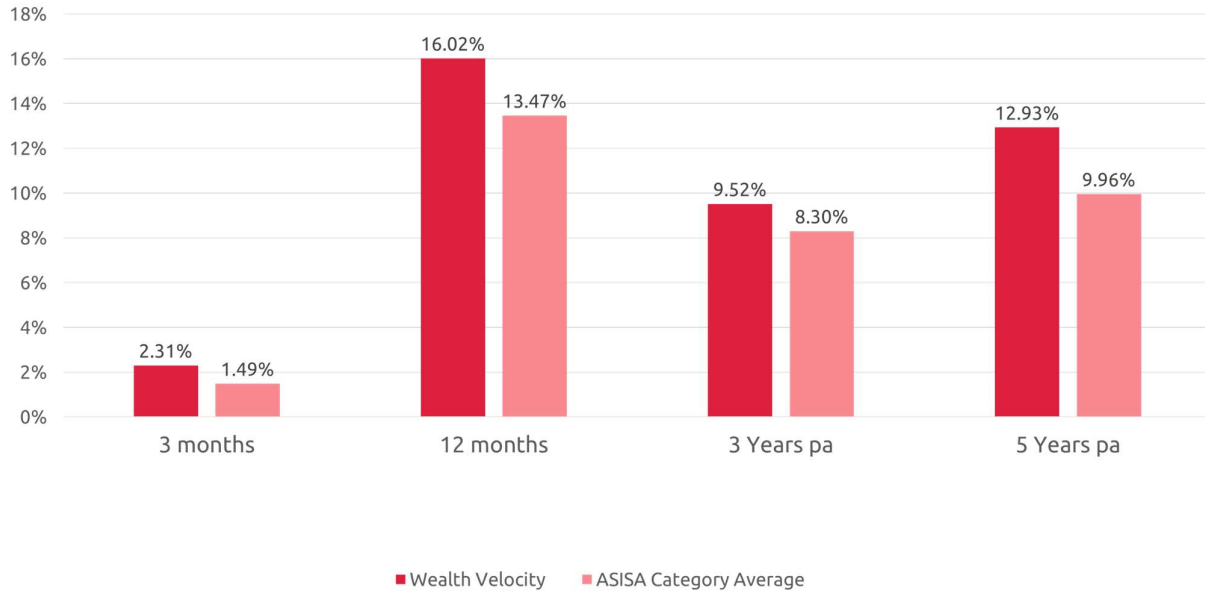
Sector Exposure



3. WEALTH VELOCITY - PAST INVESTMENT RETURNS (based on historic returns of proposed portfolio)

Back-tested investment Performance of the Initial Velocity Portfolio

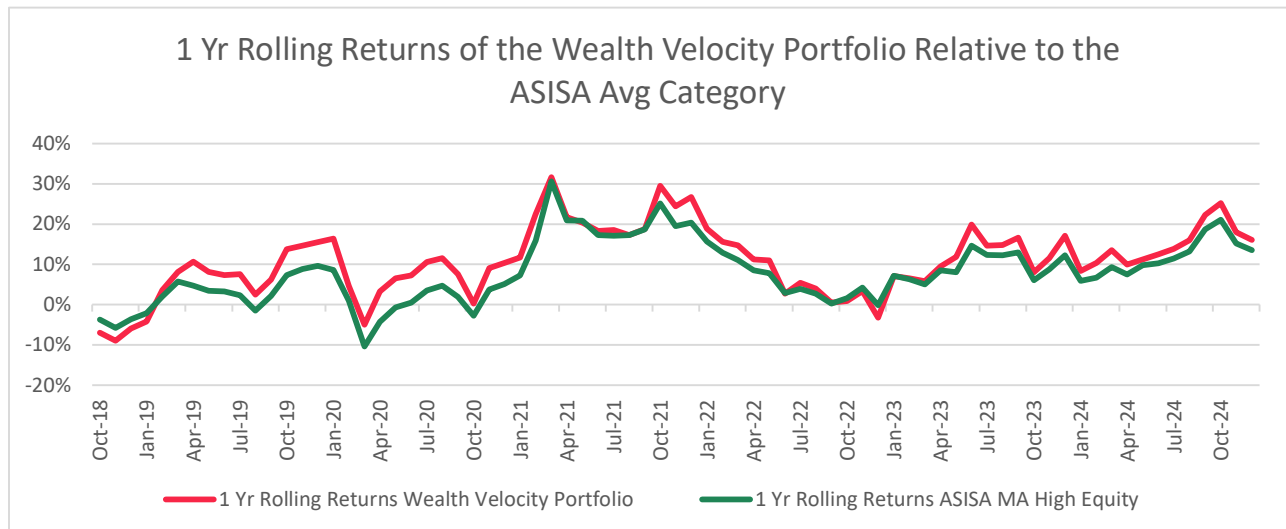
Wealth Velocity Portfolio Indicative Returns as at 31 December 2024



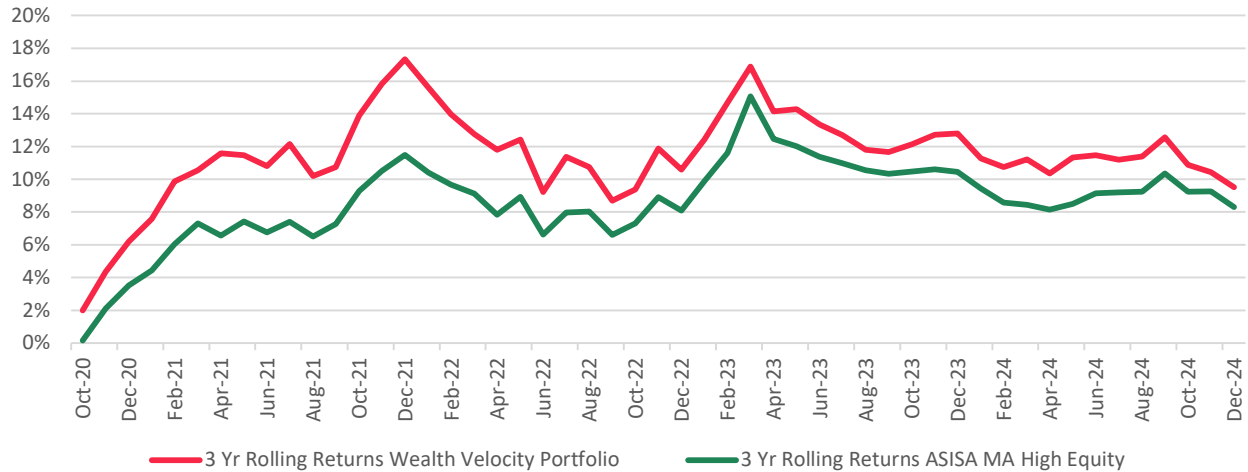
Rolling Returns

The initial Velocity portfolio outperforms the ASISA SA Category Average (ASISA SA Multi-Asset High Equity) category across all rolling periods, since October 2017.

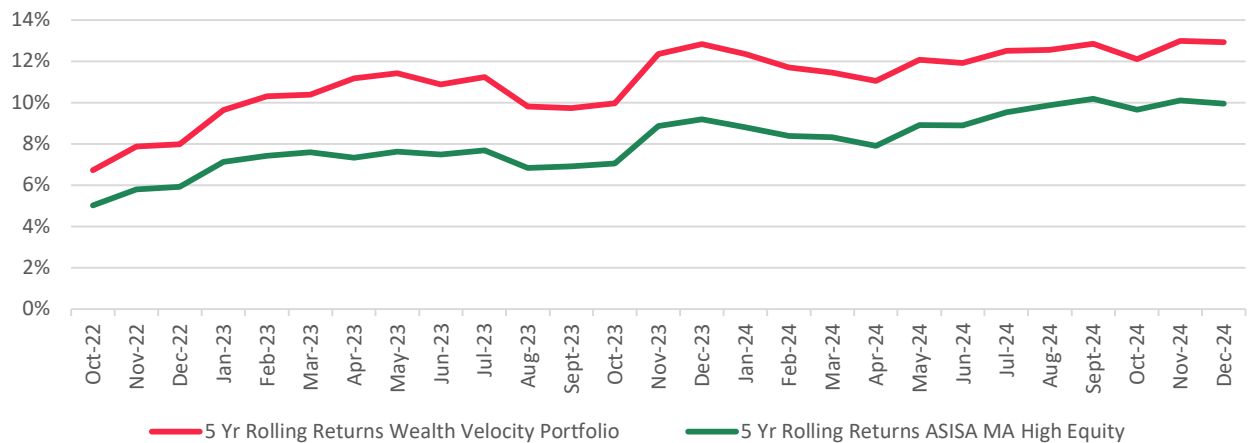
The rolling returns illustrate to clients the importance of holding their portfolio in accordance with the suggested time frame of the strategy. Portfolios with higher growth assets are subject to higher levels of volatility and therefore the sequencing risk is higher, accordingly, it will be important to communicate such with the members.



3 Yr Rolling Returns of the Wealth Velocity Portfolio Relative to the ASISA Avg Category



5 Yr Rolling Returns of the Wealth Velocity Portfolio Relative to the ASISA Avg Category



4. SUMMARY

We are excited to offer this new and additional portfolio choice to investors that is fully aligned to their long-term goals. The fees for this portfolio are the same as the other RA portfolios.

The back-testing of the portfolio structure used in the Wealth Velocity portfolio indicates that it outperforms the peer group of high equity portfolios over all rolling periods, since 2017. As such, it would reward RA members who have some years to retirement.

For more guidance as to whether this portfolio may suit you, please make contact with ETFSA and our Retirement Annuity team.

Email: rafunds@etfsa.co.za

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