

#### LAUNCH OF NEW ETF ON THE JSE

The **1Invest MSCI World Socially Responsible Investment Index Feeder ETF** ( JSE Code: **ETFSRI**) falls into the category of ‘Foreign Thematic’ ETFs and listed on the JSE at the end of July. It seeks to track, as closely as possible, an index that provides Environmental, Social and Governance (ESG) exposure and minimum socio-political controversies, across 23 Developed market countries.

ESG and Socially Responsible Investing (SRI) are often used interchangeably, where ESG focuses on companies that incorporate environmental, social and governance practices and values in the company. SRI takes it a step further with its selection process: companies are excluded depending on specific ethical criteria, such as alcohol and other addictive substances, environmental destruction, and human rights and labour violations.

Listen to the ETF Investor Podcast, Episode 43 – ‘SRI or ESG? What’s the difference?’, with Nerina Visser, using the following link <https://www.etfSA.co.za/podcasts.htm>

#### The new product’s details is as follows:

ETF Name	JSE Code	Issuer	Listing Date	ISIN	Focus
1Invest MSCI World SRI Feeder ETF	ETFSRI	1Invest	28 July 2022	ZAE000312245	Socially Responsible Investments (SRI)

This ETF will be available post-listing on all the etfSA.co.za platforms for tax free and discretionary investments and will be carefully considered for inclusion in the retirement funds portfolios and wealth management portfolio services offered by etfSA.co.za.

#### OVERVIEW

The **1Invest MSCI World SRI ETF** provides diversified exposure to a wide range of companies that focus on specific values and climate change, with a high minimum ESG screening. The underlying feeder fund is the **iShares MSCI World SRI UCITS ETF**, which tracks the **MSCI WORLD SRI Select Reduced Fossil Fuel Index**, using a physical optimised strategy. By investing in this product, you have a broad diversified range of sectors to invest into, such as Healthcare, Financials, IT and Consumer Discretionary; through direct investment into mid-and large-cap stocks, with approximately 371 constituents.

This ETF is a distributing ETF, which means distributions will be paid out. The targeted Total Investment Charge, which includes the TER, is 0.40%. The underlying iShares ETF has an MSCI ESG (Environmental, Social and Governance) rating of AAA (Leader). Investments into this ETF are made in **South African Rands**; however, the underlying investments are in US Dollars. This means that the performance is exposed to some currency risk (i.e., exchange rate differential).

This ETF is suitable for investors who are looking to invest sustainably with an ESG and climate-change focus on reducing fossil fuels. The investment horizon is long-term, and the risk profile is high.

## 1Invest MSCI World SRI ETF (ETFSRI)

August 2022

### WHY INVEST IN SRI

According to the 1Invest pre-listing statement, the 1Invest MSCI World SRI ETF is attractive for to the following reasons:

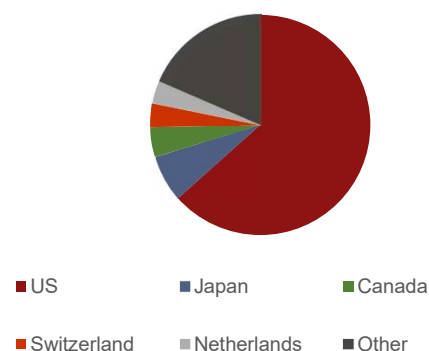
- Investors are increasingly seeking exposure to companies with global-best practices. The 1Invest MSCI World SRI ETF provides this exposure through its ESG and enhanced climate-change screening criteria.
- Furthermore, the fund screens out companies that are involved in certain controversies such as nuclear, controversial and conventional weapons, tobacco, civilian firearms, alcohol, adult entertainment, nuclear power and genetically modified organisms
- The screening is further enhanced by factoring in climate-change criteria. It additionally screens for companies involved in thermal coal, oil sands, oil and gas, power generation and thermal coal/oil sands reserves industries.
- The fund invests across various geographies in Developed Market countries and in various sectors; allowing for diversification
- The fund applies a 5% capping on the weights of the underlying holdings, in line with the Index, to ensure that there is no over exposure to a certain holding, sector or geography.

### INDEX COMPARISON

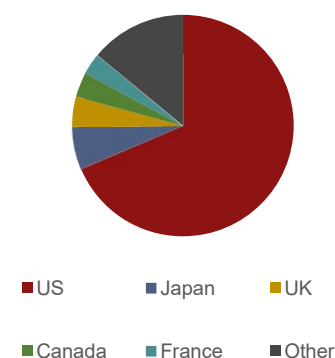
The investable universe for the **MSCI World SRI Select Reduced Fossil Fuel Index ('The Index')**, which is what the **1Invest MSCI World SRI ETF (ETFSRI)** tracks, is derived from the **MSCI World Index ('Parent Index')**. The Parent Index consists of approximately 1513 constituents, whereas the MSCI World SRI Select Reduced Fossil Fuel Index (ETFSRI) only consists of about 371 constituents, excluding about 75% of the holdings in the Parent Index. This is due to the additional stringent screening that SRI applies, which illustrates the enhanced layering of screening, over and above the ESG screening.

Looking at the geographic exposure between the Indices, it varies marginally, with the largest country weight exposure (just over 60%), allocated to the United States (US). Considering the additional SRI screening and capped weighting of the MSCI World SRI Select Reduced Fossil Fuel Index, 'greener counties' such as Canada, Switzerland, and the Netherlands have a higher weighting to the Index relative to the Parent Index.

MSCI World SRI Select Reduced Fossil Fuel Index (ETFSRI)



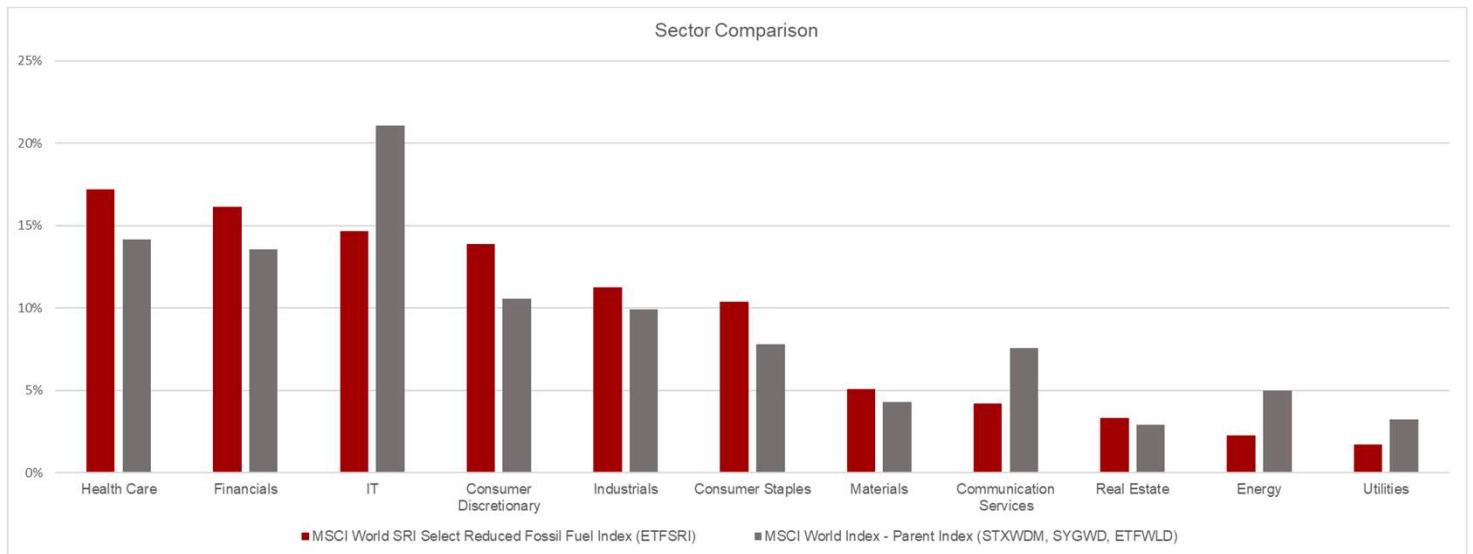
MSCI World Index (Parent Index)



Source: MSCI, etfSA, as of 30 June 2022

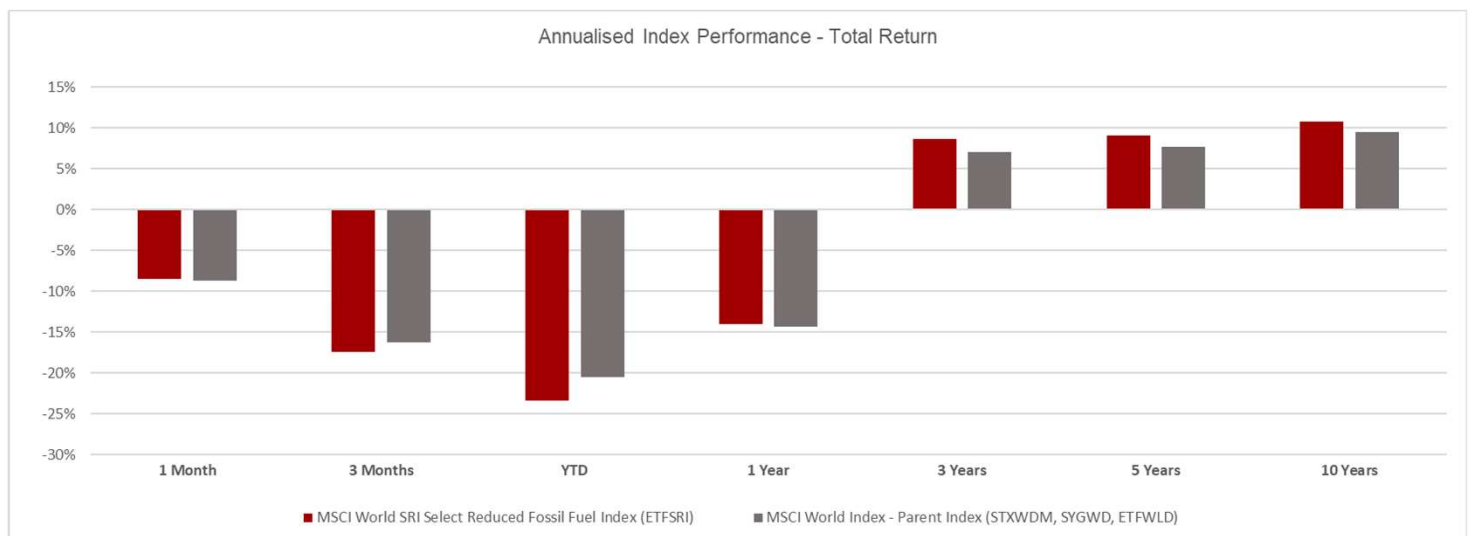
### INDEX COMPARISON (CONTINUED)

The sector exposure is also slightly different. The MSCI World Index ('Parent Index') has a higher sector allocation weighting to IT, Healthcare, and Financials. The MSCI World SRI Select Reduced Fossil Fuel Index ('The Index') - ETFSRI, on the other hand, has a higher weighting towards Healthcare, Financials and then IT; illustrating how the additional screening layer that SRI applies, along with the capped methodology, can also offer some form of diversification with a broader spread to sector weightings relative to the Parent Index.



Source: MSCI, etfSA, as of 30 June 2022

The impact of the additional screening and methodology used in the Index is also evident in the performance figures. The MSCI World SRI Select Reduced Fossil Fuel Index (ETFSRI) relatively outperforms the Parent Index on the 3-month, Year-to-Date (YTD), 1-Year, 3 -Years, 5-Years and 10-Years front, while almost on par on the 1-month figures. There is often a misconception that investing sustainably may not necessarily provide returns, the numbers speak for themselves. The inclusion of the 1Invest MSCI World SRI Feeder ETF enables investors to responsibly invest, while attempting to increase diversification to portfolios.



Source: MSCI, Morningstar, and etfSA, as of 30 June 2022

### TOP 10 HOLDINGS

COMPANY		SUB SECTOR	%
 <b>Microsoft</b>	Microsoft is an American multinational technology corporation that develops and licenses consumer and business software. It also produces consumer electronics, personal computers and related services	Information Technology	4.76%
 <b>TESLA</b>	Tesla is an American multinational automotive and sustainable energy company that manufactures and sells electric vehicles, solar panels, solar roof tiles and battery energy storage products	Consumer Discretionary	4.45%
 <b>NVIDIA</b>	Nvidia is an American multinational technology company that designs graphic processing chips that are used for gaming, data centres, vehicles and robotics	Information Technology	3.36%
 <b>HOME DEPOT</b>	Home Depot is an American multinational home improvement specialty retailer that sells various building materials, garden products, home improvement products and tools	Consumer Discretionary	2.54%
 <b>Coca-Cola</b>	Coca-Cola is an American multinational beverage company	Consumer Staples	2.30%
 <b>Roche</b>	Roche is a Swiss biopharmaceutical and diagnostic company that produces pharmaceutical products for the treatment in oncology, immunology, infectious diseases, ophthalmology, and the nervous system	Health Care	2.07%
 <b>PEPSICO</b>	PepsiCo is an American multinational beverage company	Consumer Staples	2.05%
 <b>ASML</b>	ASML Holding is a Dutch multinational corporation that manufactures systems (photolithography) that are used in the manufacture of semiconductors to produce computer chips	Information Technology	1.72%
 <b>novo nordisk</b>	Novo Nordisk is a Danish multinational pharmaceutical company that specialises in diabetes-care products and other serious chronic diseases such as rare blood and rare endocrine diseases	Health Care	1.65%
 <b>Adobe</b>	Adobe is an American multinational computer software company that specializes in document management, digital media content creation, and digital marketing and advertising software	Information Technology	1.53%

Source: 1Invest, MSCI, and Morningstar

## Disclaimer

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