What Are The Advantages of ETPs?

Instant Liquidity	• Secondary trade on the JSE enables constant market transactions in ETPs. • Market makers provide liquidity and offer realistic bid and offer spreads. • Open-ended structure of ETPs means that the ETP management company can create new securities or redeem securities in issue to cater for large transactions.

What Are The Advantages of ETPs?
(continued)

Transparency	• Open price discovery on the stock exchange. • ETP Mancos publish daily net asset value (NAVs) on their websites. • Index values and the share constituents of indices tracked by ETPs are known to investors at all times.

What Are The Advantages of ETPs?

(continued)

Tradability	• Listing on the JSE means that ETPs can be traded at any time the market is open. • Unlike unit trusts which can only be traded and priced once per day through the issuing Manco, ETPs can be traded and priced throughout the day and bought through any stockbroker or registered investment administration platform.

What Are The Advantages of ETPs?
(continued)

Cost Efficiency	
Cost Efficiency	• ETPs typically have Total Expense Ratios (TERs) - which measure portfolio management and administration costs – about one-third of the TERs for comparable unit trusts. • The purchase of a single ETP security gives access to an entire portfolio of shares – you pay brokerage and other JSE transaction costs only once and not for each share in the portfolio. • As ETPs typically have very stable portfolios of index basket shares, there is the opportunity of lending out ETP securities and the underlying index shares in the scrip lending market in order to reduce costs.

What Are The Advantages of ETPs?
(continued)

Risk Management	• ETPs offer total index exposure and market diversification in a single index basket. • A portfolio of shares is less volatile and carries less risk than investment in a single share. • ETPs can be shorted (like any listed share) so can cater for long or short views on the market. Hedging ETP exposure through the JSE listed equivalent index based futures contracts is simple and cost-efficient.

What Are The Advantages of ETPs?
(continued)

Regulation	• ETPs are public companies listed on the JSE, so adhere to all the regulatory, compliance and disclosure requirements of the JSE and the Securities Services Act (2004). • Nearly all local ETFs are also registered as Collective Investment Schemes and are therefore regulated by the Financial Services Board (FSB). Full compliance with the CISCA, FAIS and FICA acts is required at all times. • Being listed on a public stock exchange means that the NAV and asset components of ETPs are always known for "mark to market" valuations and for disclosure and tax reporting purposes.

What Are The Advantages of ETPs?
(continued)

Performance	• The index provides the average return of the market – 50% of investors beat the market average and 50% do not – after costs typically 70% of investors fail to match the market average – active investment is a zero sum game. • Over time, most active managers do not beat index returns and it is very difficult to pick winning asset managers based on their past performance.

Index vs. Active Management: US Market		**10 Years**	**15 Years**
	S&P 500 Index	8,2%	10,9%
	Average Equity Fund	7,8%	10,2%
	S&P 500 Advantage (percentage points)	0,4%	0,7%

Index vs. Active Management: SA Market		**5 Years**	**10 Years**
	FTSE/JSE All Share Index	26,3%	18,6%
	Average Equity Fund	24,5%	14,7%
	FTSE/JSE All Share Advantage (percentage points)	1,8%	3,9%