

# Investing in Exchange Traded Products (ETPs)

**Presentation at:**  
**Grindrod Bank / etfSA.co.za**  
**Seminar**  
**Pietermaritzburg / Durban**  
**18<sup>th</sup> June 2013**

**Mike Brown**  
**Managing Director**  
**etfSA.co.za**

# Agenda

- What are Exchange Traded Products (ETPs)?
- The case for ETPs.
- Why you should be using ETPs.
- Information on ETFs/ETNs.
- How to invest in ETPs.

# 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.

# What is An Index?

**Index Weights – Basket of Constituents (as at 31 March 2013)**  
**FTSE/SAPY Property Index**

	Market Cap Weighted (%)		Market Cap Weighted (%)
Growthpoint	24,5	Sycom	2,0
Redefine	14,1	Rebosis	1,9
Capital	8,3	Fortress Income – A	1,7
Resilient	6,9	Investec Prop	1,3
Hyprop	6,1	Premium	1,1
Fountainhead	5,8	Hospitality – A	1,1
Vukile	4,6	Redefine Prop Int	0,9
SA Corp	4,5	Octodec	0,8
Acucap	4,4	Arrowhead – A	0,8
New Europe Prop Inv	3,5	Arrowhead – B	0,8
Emira	3,1	Hospitality - B	0,4
			Total 100%

# 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.**

# The Case for ETPs

## ■ **Low Costs**

- ❑ You buy an entire portfolio, but only pay trading costs once.
- ❑ Average management costs (Total Expense Ratios – TERs) for ETPs one-quarter to one-third those of actively managed unit trusts.
- ❑ No Securities Transfer Tax (STT) payments.
- ❑ Low cost platforms available for ETPs.

# The Case for ETPs

- **Tax efficient**
  - No STT
  - Most pay dividends quarterly – a 15% dividend withholding tax already deducted
  - Capital gains (13% for individuals) only applicable when you sell your ETP securities.
- **Tradable**
  - Trade all day on the JSE
- **Safety**
  - Settlement, transfer, registration, takes place through the electronic JSE/STRATE register, which guarantees individual holdings.
  - All ETPs are listed public companies so are regulated and governed by the JSE.
  - Most ETPs are also Collective Investment Schemes directly regulated by the Financial Services Board (FSB).

# The Case for ETPs

## ■ **Transparent**

- ❑ Underlying portfolio holdings published daily
- ❑ Open price discovery on the JSE
- ❑ Passive mandates generate greater certainty and clarity for investors.

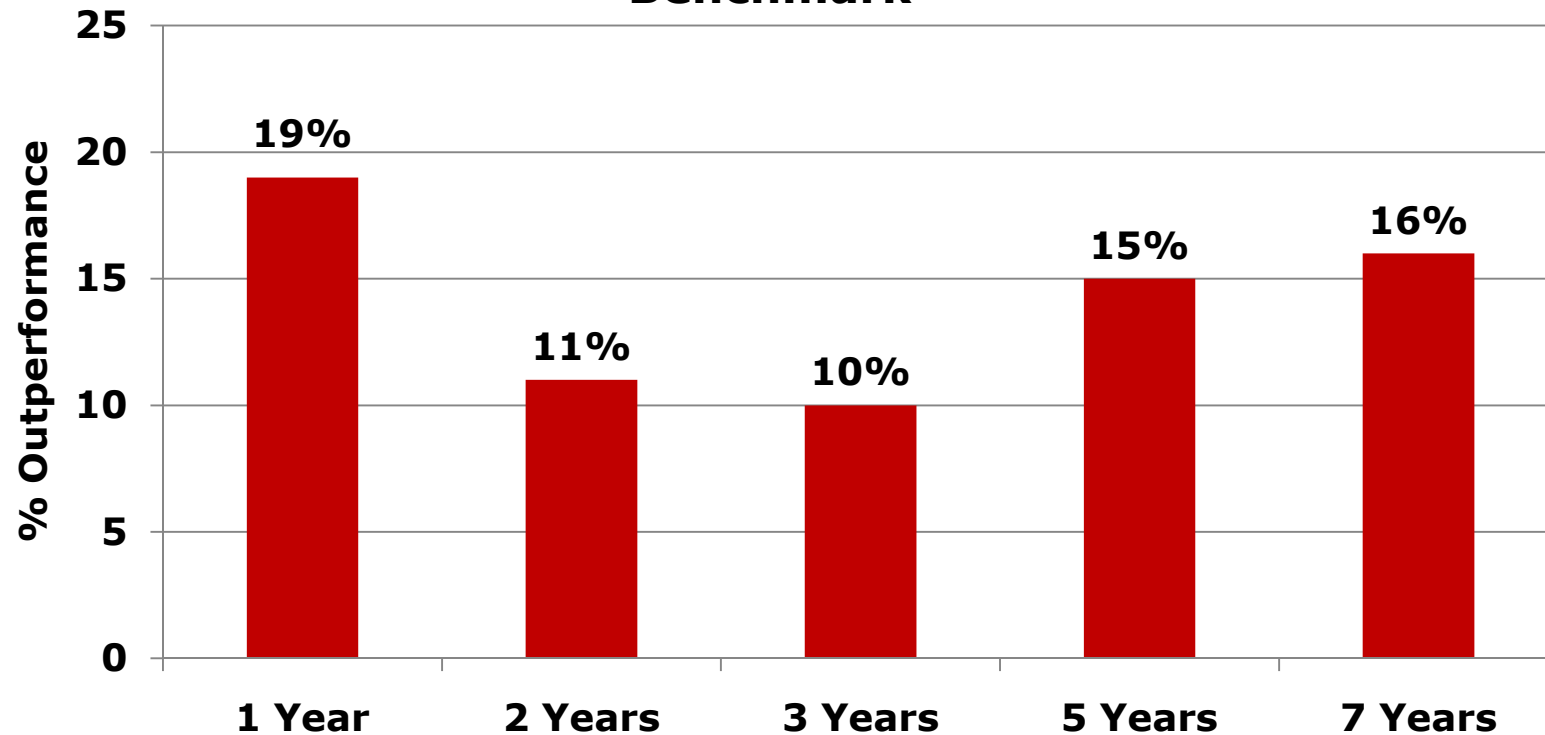
## ■ **Diversification**

- ❑ Purchasing a portfolio of top quality index shares:
  - spreads risk
  - reduces volatility
  - enhances performance potential.



# Why You Should Be Using ETFs/ETNs

## Unit Trusts Beating the FTSE/JSE SWIX Index Benchmark



Source: "The Quest for Alpha" - D Wessels - DRW Investment Research (June 2012)

# Why Invest In ETFs/ETNs? (continued)

Current value of **R1000 per month** investment in  
**Satrix INDI 25 ETF**

	R
After 3 Years	55 360
After 5 Years	114 669
After 10 Years	413 216
After 20 Years*	4 433 895

*Source: Profile Data/etfSA.co.za (21/2/2013).  
Total returns with dividends reinvested.  
\* Extrapolated on past 10 year's performance.  
Note: Historic performance will not necessarily be repeated in future.*

**Let Your Capital Work for You!**

# What ETFs/ETNs to buy?

<b>Total SA equity market exposure (pure Beta)</b>	Track the FTSE/JSE Top 40 .	<ul style="list-style-type: none"> <li>• Satrix 40 ETF</li> <li>• BettaBeta EWT 40 ETF</li> </ul>
<b>Exposure to sectors of the market</b>	Track Industrial, Financial, Resources, MidCap indices, etc.	<ul style="list-style-type: none"> <li>• Satrix INDI 25 ETF</li> <li>• NewFunds eRAFI FINI 15 ETF</li> <li>• RMB MidCap ETF</li> </ul>
<b>Bonds</b>	Track portfolios of SA Government bonds.	<ul style="list-style-type: none"> <li>• Investec zGOVI ETF</li> <li>• RMB Inflation-X ETF</li> </ul>
<b>Property</b>	Track listed Property indices.	<ul style="list-style-type: none"> <li>• Proptrax SAPY ETF</li> <li>• Proptrax TEN ETF</li> </ul>
<b>Money Market</b>	Invest in cash/near cash instruments	<ul style="list-style-type: none"> <li>• NewFunds TRACI ETF</li> <li>• PrefEx ETF</li> </ul>

Continued/...

# What ETFs/ETNs to buy? (continued)

<b>Foreign Equity Markets</b>	Track main offshore indices in rands (rand denominated assets).	<ul style="list-style-type: none"> <li>• DBX Tracker MSCI World ETF</li> <li>• DBX Tracker MSCI USA ETF</li> <li>• DB Emerging Markets ETN</li> </ul>
<b>"Smart" ETFs</b>	Track indices with a "Theme" or "Style".	<ul style="list-style-type: none"> <li>• Satrix DIVI ETF</li> <li>• NewFunds eRAFI ETF</li> <li>• Nedbank BGreen ETF</li> </ul>
<b>Other Assets</b>	Track physical commodity prices, currencies, etc.	<ul style="list-style-type: none"> <li>• NewGold ETF</li> <li>• Standard Bank Platinum-Linker or Palladium-Linker ETNs</li> </ul>

# Sample Portfolio

(R300 per month debit order in each ETP)

	Fund	3 Year Total Return* (% per annum)	Current Value** After 3 Years (R)
Domestic Equity	BettaBeta EWT 40 ETF	14,57%	13 608
JSE Sectors	Satrix INDI 25 ETF	26,14%	16 495
Bonds	RMB Inflation-X ETF	14,62%	13 620
Property	Proptrax SAPY ETF	25,92%	16 435
Foreign Equity	DBX Tracker MSCI USA ETF	24,85%	16 139
<b>Total</b>			<b>76 297</b>

\* Total return with dividends reinvested over past 3 years.

\*\* Current value (29 April 2013) for R300 per month invested in each ETF.

Source: [etfSA.co.za](http://etfSA.co.za) / Profile Data (29/4/2013).

Note: Historic returns may not be replicated in future.

# Building a Portfolio of ETPs

## Multi-Asset ETP Portfolio

Fund	3 Year Total Return* (% per annum)	Asset Allocation
<b>Domestic Equity</b>		
Satrix INDI 25 ETF	33,41%	20%
NewFunds eRAFI FINI ETF	22,24%	10%
BettaBeta EWT 40 ETF	17,85%	10%
Sub-total		40%
<b>Foreign Equity</b>		
DBX Tracker MSCI USA ETF	22,73%	15%
DBX Tracker MSCI World ETF	20,34%	15%
Sub-total		30%
<b>Income/Property</b>		
Proptrax SAPY ETF	27,10%	15%
RMB Inflation-X ETF	14,32%	10%
Sub-total		25%
<b>Other Assets</b>		
NewGold ETF	10,61%	5%
<b>Totals</b>	<b>23,23%**</b>	<b>100%</b>

\* *Total return with dividends /interest reinvested.*

\*\* *Weighted average annual total return.*

Source: *etfSA.co.za / Profile Data (20 May 2013).*

Note: *Historical returns may not be repeated in future.*

# Comparisons – Multi-Asset Portfolios

Multi-Asset Portfolios	
	3 Year Total Return (% per annum)
Unit Trust Medium Equity Fund Average Rate of Return	16,71%
Unit Trust High Equity Fund Average Rate of Return	16,99%
ETP Multi-Asset Portfolio	23,23%

*Source: Unit Trust: Quarterly Unit Trust Survey (March 2013).*

*ETPs: etfSA.co.za / Profile Data (May 2013).*

# Information on ETFs/ETNs

Home

About etfSA

ETFs

ETNs

How to Invest

ETP Education

Watchlists

Performance Data

ETFs

14 June 2013

ETNs

14 June 2013

Search

You are here [Home](#)

## Latest News



May 2013 - Monthly etfSA.co.za South African ETF, ETN & Unit Trust Index Tracking Performance Survey

The ETP options available for investing directly in platinum

April 2013 - Monthly etfSA.co.za SA ETF, ETN & Index Tracking Product Survey

How and when to use ETPs?

State of the ETP Industry Review: 1st Quarter 2013

March 2013 - Monthly etfSA.co.za SA ETF, ETN & Index Tracking Product Survey



Making your first investment...

**MAKING YOUR FIRST INVESTMENT IN EXCHANGE TRADED PRODUCTS (ETPs)**



Investing through etfSA

**How to invest in ETFs/ETNs**

[Click here to learn more](#)

Now, for the **FIRST TIME** ever, all of South Africa's **ETFs & ETNs** on a **SINGLE WEBSITE**

[Apply Online](#)

[Investor Login](#)

The Easiest & Most Cost Effective Way to Invest in All the ETFs/ETNs in South Africa.

- ▶ Everything you need to know about each ETF/ETN
- ▶ Absa (NewFunds), BIPS (RMB), DBX Trackers, Investec, Nedbank, Proptrax, Satrix, Standard Commodity Linkers
- ▶ Transact online all ETFs/ETNs
- ▶ Low costs
- ▶ Easy Access & Switching

## SEMINAR



EXCHANGE TRADED PRODUCTS  
HOW AND WHY TO INVEST?

Pietermaritzburg  
18 June 2013

**GRINDROD BANK**

etf The Home of Exchange Traded Funds®

## SEMINAR



EXCHANGE TRADED PRODUCTS  
HOW AND WHY TO INVEST?

Durban  
18 June 2013

**GRINDROD BANK**

etf The Home of Exchange Traded Funds®

Continued/...

The Home of Exchange Traded Funds®





# Information on ETFs/ETNs (continued)

▶ [News Archive](#)

## Events & Services



▶ [Seminars](#)

▶ [Presentations](#)

▶ [Monthly Performance Data](#)

▶ [Quarterly Performance Data](#)

▶ [Annual Performance Data](#)

▶ [Application Forms](#)

▶ [Fees and Charges](#)

▶ [Business Consulting & Advisory Services](#)

▶ [Glossary of Terms](#)

From R300 per month

▶ From R1000 for lump sums

[Click here to invest.](#)



## 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 >](#)

**SEMINAR  
PRESENTATIONS**

[<click here>](#)

**EVERYTHING  
YOU NEED TO  
KNOW ABOUT  
ETFs & ETNs**



**Quick Facts on ETFs**

**Spotlight on new products**

**ABSA**  
**NewPlat ETF**



The Home of Exchange Traded Funds®

**Comparing apples**

# For More Information on ETFs/ETNs

Click on the "ETF or ETN" button



Home	About etfSA	ETFs	ETNs	How to Invest	ETP Education	Watchlists	Performance Data
------	-------------	------	------	---------------	---------------	------------	------------------



The Home of Exchange Traded Funds®

## Property Index Tracker SAPY

South African--Real Estate--General

### Focus and Objective

The investment objective of the Property Index Tracker portfolio is to replicate the price and yield performance of the FTSE/JSE SAPY Index by holding a portfolio of securities substantially equivalent to the basket of securities comprising the Index in the same weighting as the Index.

The Property Index Tracker portfolio will be adjusted as determined by the ground rules to conform to changes in the basket of securities comprising the Index so as to ensure that the composition and weighting of the securities comprising the relevant Property Index Tracker portfolio at all times reflects, as closely as reasonably possible, the composition and weighting of the securities comprising the Index.

The initial SAPY portfolio tracks the price and yield performance of the JSE/FTSE Africa Listed Property Index. (the SAPY index) As such, the SAPY portfolio affords both retail and institutional investors an opportunity to access the performance of the top twenty JSE listed real estate securities by investing in a single instrument namely a participatory interest in the proposed SAPY portfolio.

### Technical Overview

FORMATION DATE:	25 Sep 2007
BENCHMARK: FTSE/JSE SA LISTED PROPERTY INDEX	
HOLDINGS:	20
UNIT HOLDERS:	1 546
ORIGINAL PRICE:	3554
PRICING SYSTEM:	Forward
INCOME DECL:	31/03,30/06,30/09,31/12
INCOME PAY:	21/04,21/07,21/10,21/01
MINIMUM LUMP SUM:	R1 000
MINIMUM MONTHLY:	R300

### Dividend Yield

Vertical lines represent dividends.



Property Index Tracker or PropTrax is the first property ETF in South Africa. It gives the investor access and good exposure to the high performance real estate sector, without charging huge fees, and maintaining low entrance levels. PropTrax offers the investor ease of professional management to secure the top twenty South African real estate listed securities.

Investors in the SAPY portfolio diversify their risk within the listed real estate sector, (although they are only holding a single instrument) given the exposure of the SAPY portfolio to a broad range of underlying securities. In addition, investors enjoy quarterly distributions, even though certain of the securities included in the SAPY index may only pay distributions on a six-monthly basis.

It is expected that participatory interests in the SAPY portfolio will trade with a higher degree of liquidity than certain of the securities included in the SAPY index, making it a more attractive prospect for investors who may not otherwise have considered the listed real estate sector.

### Dividend History (last 3 years)

31 MAR 2013	76.40c
31 DEC 2012	76.40c
30 SEP 2012	76.40c
30 JUN 2012	35.45c
31 MAR 2012	76.21c
31 DEC 2011	54.35c
30 SEP 2011	78.46c
30 JUN 2011	35.30c
31 MAR 2011	93.69c
31 DEC 2010	30.92c
30 SEP 2010	93.91c
30 JUN 2010	32.25c
31 MAR 2010	92.28c

### Fees

TER (30 SEP 2012):	1.09%
PERF FEE TER (30 SEP 2012):	0%
ANNUAL:	0.86%
PERFORMANCE:	n/a

### Top Holdings on 31 Mar 2013

SHARE	No Units	Value (Rm)	% of Fund
GROWPNT	1 002 543	27.02	24.51%
REDEFINE	1 569 021	15.53	14.09%
CAPITAL	822 281	9.17	8.32%
RESILIENT	139 166	7.58	6.88%
HYPROP	91 426	6.69	6.07%
<b>Totals</b>		<b>65.99</b>	<b>59.87%</b>

### Management

Property Index Tracker Managers (Pty) Ltd

### Comparative Performance

Profile page:

Continued/...

# For More Information on ETFs/ETNs

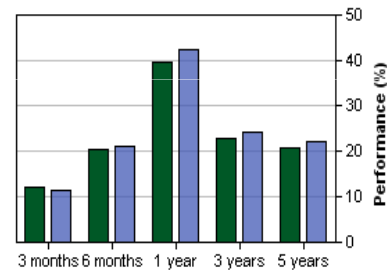
have considered the listed real estate sector.

## Management

Property Index Tracker Managers  
(Pty) Ltd

## Comparative Performance

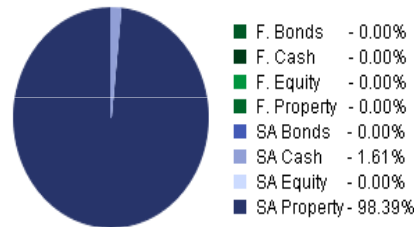
■ South African - Real Estate - General  
■ Property Index Tracker SAPY



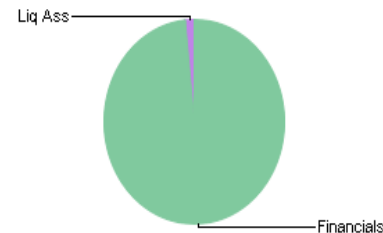
## Top Holdings on 31 Mar 2013

SHARE	No Units	Value (Rm)	% of Fund
GROWPNT	1 002 543	27.02	24.51%
REDEFINE	1 569 021	15.53	14.09%
CAPITAL	822 281	9.17	8.32%
RESILIENT	139 166	7.58	6.88%
HYPROP	91 426	6.69	6.07%
<b>Totals</b>		<b>65.99</b>	<b>59.87%</b>

## Asset Allocation

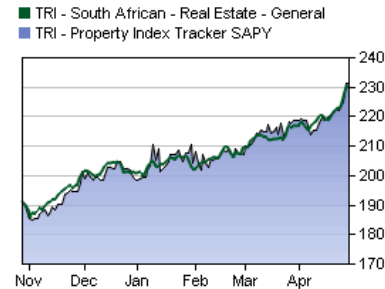


## Sectoral Breakdown



## Property Index Tracker SAPY

### PRICE



Latest NAV 29 Apr 2013 **5 625.00c**  
NAV on 29 Oct 2012 **4 760.00c**

### PERFORMANCE TO 29 APR 2013

R1 000 LUMP SUM (NAV-NAV INCL. DIVIDENDS)			
PERIOD	Return	Value(R)	Inflation(R)
3 MONTHS	11.46%	1 114.60	1 027.00
6 MONTHS	21.12%	1 211.30	1 039.20
1 YEAR	42.57%	1 425.70	1 062.00
3 YEARS	24.06%	1 909.20	1 173.50
5 YEARS	22.24%	2 729.30	1 346.10

R100 PER MONTH (NAV-NAV INCL. DIVIDENDS)			
PERIOD	Return	Value(R)	Inflation(R)
3 MONTHS	13.16%	327.10	n/a
6 MONTHS	22.73%	684.77	n/a
1 YEAR	35.81%	1 460.26	n/a
3 YEARS	25.92%	5 478.49	n/a
5 YEARS	23.16%	11 346.69	n/a

\* VALUES FOR PERIODS GREATER THAN ONE YEAR ARE ANNUALISED

Profile page:

# Top Performance Available from the Selection of ETFs & ETNs Available on the JSE

## etfSA.co.za Monthly Performance Survey Best Performing Index Tracker Funds – 31 May 2013 (Total Return %)\*

Fund Name	Type	5 Years (per annum)	Fund Name	Type	3 Years (per annum)
Prudential Property Enhanced	Unit Trust	22,33%	Satrix INDI 25	ETF	32,89%
Proptrax SAPY	ETF	20,62%	DBX Tracker MSCI USA	ETF	26,54%
Satrix INDI 25	ETF	19,63%	DBX Tracker MSCI FTSE 100	ETF	23,82%
Satrix DIVI	ETF	17,82%	DBX Tracker MSCI World	ETF	23,30%
		2 Years (per annum)			1 Year
DBX Tracker MSCI USA	ETF	34,45%	DBX Tracker Eurostoxx 50	ETF	64,04%
Satrix INDI 25	ETF	32,97%	Satrix INDI 25	ETF	52,68%
DBX Tracker MSCI Japan	ETF	28,75%	DBX Tracker MSCI Japan	ETF	50,99%
DBX Tracker MSCI World	ETF	28,23%	DBX Tracker MSCI World	ETF	48,80%
		6 Months			3 Months
DBX Tracker MSCI Japan	ETF	40,50%	DBX Tracker MSCI Japan	ETF	24,09%
DBX Tracker MSCI USA	ETF	30,76%	DBX Tracker MSCI USA	ETF	20,66%
DBX Tracker MSCI World	ETF	27,80%	DBX Tracker Eurostoxx 50	ETF	18,63%

Source: Profile Media FundsData (31/05/2013)

\* Includes reinvestment of dividends.

# My Profile - Watchlist

Manage Watch Lists	Performance Chart	Rank Funds	Consistency of Performance	Risk Return
--------------------	-------------------	------------	----------------------------	-------------

Performance for Watch List: ETF Monthly Report

**Periodic performance data as at 06 Jun 2013**

Fund	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
Zshares GOVI Exchange Traded Fund %	-6.02%	-2.18%	-0.01%	8.51%	9.29%	10.25%	
Satrix INDI Portfolio %	2.25%	5.55%	14.53%	45.38%	31.01%	31.53%	18.59%
NewGold %	7.37%	-0.65%	-3.68%	3.23%	16.22%	14.65%	14.44%
Property Index Tracker SAPY %	-9.96%	0.88%	7.68%	34.39%	23.11%	22.26%	22.71%
ETN - Investec Swix40 TRI %	0.03%	-0.57%	5.27%				
ETN - Investec Top40 TRI %	1.55%	0.52%	6.67%				

Values for periods greater than one year are annualised.

— Zshares GOVI Exchange Traded Fund %    
 — Satrix INDI Portfolio %    
 — NewGold %  
— Property Index Tracker SAPY %    
 — ETN - Investec Swix40 TRI %    
 - - - ETN - Investec Top40 TRI %



The Home of Exchange Traded Funds®



# 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% - 0,8% 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.

**Visit [www.etfsa.co.za](http://www.etfsa.co.za)**

# Contact details

<b>Website</b>	<a href="http://www.etfsa.co.za">www.etfsa.co.za</a> – fully internet based
<b>etfSA Call Centre</b>	0861 383 721 (0861 ETFSA1) <a href="mailto:queries@etfsa.co.za">queries@etfsa.co.za</a>
<b>etfSA Management</b>	Tel: 011 561 6653 Fax: 011 388 4674 <a href="mailto:info@etfsa.co.za">info@etfsa.co.za</a>

**Terms and conditions:** Redistribution, reproduction, the resale or transmission to any third party of the contents of this article and this website, whether by email, newsletter, internet or website, is only possible with the written permission of etfSA. etfSA, its sponsors, administrators, contributors and product providers disclaim any liability for any loss, damage, or expense that might occur from the use of or reliance on the data and services provided through this website. etfSA.co.za is the registered trading name of M F Brown, an authorised Financial Services Provider (FSP No 39217). Professional Indemnity Insurance is maintained.