

Introduction to Exchange Traded Products (ETPs)

Presentation at:
Investor Club / Stokvels
Education Seminar - JSE
16th April 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.
- Investor Clubs/Stokvels.

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 March 2013) FTSE/JSE Top 40 Index

	Market Cap Weighted (%)	Equally Weighted (%)		Market Cap Weighted (%)	Equally Weighted (%)
Absa Group Limited	1,23	2,5	Compagnie Fin Richemont	6,79	2,5
African Rainbow Minerals	0,35	2,5	Discovery	0,55	2,5
Anglo Platinum Ltd	0,55	2,5	Exxaro Resources Ltd	0,56	2,5
Anglo American Plc	7,64	2,5	Firststrand Ltd	2,25	2,5
Anglo Gold Ashanti Ltd	1,98	2,5	Gold Fields Ltd	1,24	2,5
Aspen Pharmacare Hldgs	1,62	2,5	Growthpoint Properties Ltd	1,04	2,5
Assore Ltd	0,27	2,5	Impala Platinum Holdings	1,67	2,5
BHP Billiton Plc	13,92	2,5	Imperial	0,86	2,5
Bidvest Group Ltd	1,56	2,5	Investec Ltd	0,31	2,5
British American Tobacco	2,63	2,5	Investec Plc	0,93	2,5

What is An Index? (continued)

Index Weights – Basket of Constituents (as at March 2013)
FTSE/JSE Top 40 Index

	Market Cap Weighted (%)	Equally Weighted (%)		Market Cap Weighted (%)	Equally Weighted (%)
Intu Properties Plc	0,66	2,5	RMB Holdings Ltd	0,73	2,5
Kumba Iron Ore Ltd	0,83	2,5	SABMiller Plc	11,34	2,5
Mediclinic International Ltd	0,63	2,5	Sanlam Ltd	2,10	2,5
Massmart	0,49	2,5	Sasol Ltd	5,38	2,5
Mondi Ltd	0,35	2,5	Shoprite Holdings Ltd	1,87	2,5
Mondi Plc	1,09	2,5	Standard Bank Group Ltd	3,42	2,5
MTN Group	6,56	2,5	Steinhoff International Hldg	1,09	2,5
Naspers Ltd -N-	5,37	2,5	Tiger Brands Ltd	0,93	2,5
Nedbank Group Ltd	0,91	2,5	Truworths	0,99	2,5
Old Mutual Plc	3,15	2,5	Vodacom Group	0,87	2,5
Remgro Ltd	2,09	2,5	Woolworths Holdings Ltd	1,22	2,5

What Are Exchange Traded Products (ETPs)? (continued)

Can be

■ Exchange Traded Funds (ETFs):

- ❑ Collective Investment Schemes that physically hold the underlying index portfolio
- ❑ Exactly replicate the index
- ❑ So perform exactly like the index.

■ Exchange Traded Notes (ETNs):

- ❑ Issuer has the **obligation** to deliver the performance of the index or asset being tracked.
- ❑ Need to take into account the creditworthiness of the issuer.

What Are Exchange Traded Products (ETPs)? (continued)

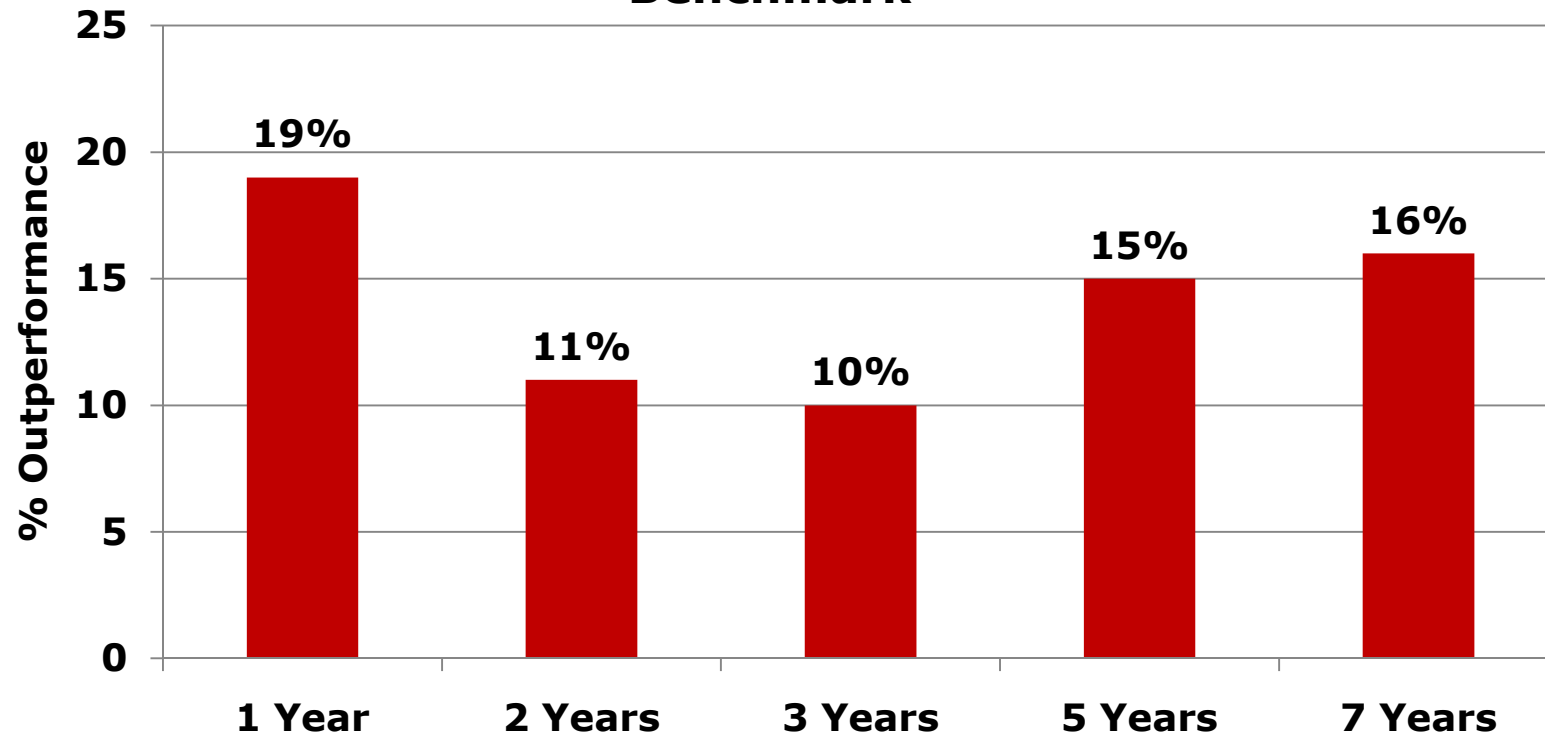
- You buy one ETF/ETN and own a whole portfolio of index shares:
 - ▣ Reduce your risk by diversifying your portfolio
 - ▣ Enhance performance potential
 - ▣ Lower your costs – you only pay brokerage and JSE costs once, not for every share in the portfolio.
- So you own say 40 shares but you only pay to buy one share.

The Case for ETPs

- Low Costs
 - Average management costs only one-third of unit trusts.
- Easy to trade
 - Can be bought or sold anytime on the JSE
 - No Securities Transfer Tax on ETFs (cheaper to trade than shares).
- Transparency
 - Portfolio holdings known at all times
 - Price is made on the JSE open market and is known to all.
- Diversification
 - You purchase a portfolio of top quality shares which spread you risk and 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 ETF/ETNs?

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.*

Get Invested and Stay Invested!

Continued/...

Why Invest In ETFs/ETNs? (continued)

Current value of R10 000 lump sum investment in
Satrix INDI 25 ETF

	R
After 3 Years	20 950
After 5 Years	24 455
After 10 Years	97 303
After 20 Years*	943 839

*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!

Information on ETFs/ETNs

Home

About etfSA

ETFs

ETNs

How to Invest

ETP Education

Watchlists

Performance Data

ETFs

26 March 2013 10:17 [ETF BetaBeta Equally Weight](#)

ETNs

26 March 2013 10:17 [ETN - Deutsche Bank AG: 1](#)

Google™ Custom Search

Search

You are here [Home](#)

Latest News



▶ STANLIB Property ETF now available through the etfSA Investor Scheme®

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

▶ Can ETFs consistently outperform all unit trusts?

▶ Grindrod Financial Services buys the Proptrax ETFs

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

▶ Investment in Passive Investment Products Now Close to R150 Billion

▶ [News Archive](#)

etf Making your first investment...

MAKING YOUR FIRST INVESTMENT IN EXCHANGE TRADED PRODUCTS (ETPs)

etf 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
- ▶ From R200 per month

SEMINAR

Focus on Investor Clubs / Stokvels

etf The Home of Exchange Traded Funds®

[2013 Seminar Dates](#)

EVERYTHING YOU NEED TO KNOW ABOUT ETFs & ETNs



The Home of Exchange Traded Funds®



Continued/...

Information on ETFs/ETNs (continued)

December 2012 - Monthly etfSA.co.za
▶ SA ETF, ETN & Index Tracking Product Survey

New Investec Exchange Traded Notes (ETNs)

November 2012 - Monthly etfSA.co.za
▶ SA ETF, ETN & Index Tracking Product Survey

Should You Be Using Index Tracking ETFs or Unit Trusts for Cost Effective Investment?

▶ [News Archive](#)

Events & Services

▶ [Presentations](#)

▶ [Monthly Performance Data](#)

▶ [Quarterly Performance Data](#)

▶ [Annual Performance Data](#)

▶ [Application Forms](#)

▶ [Fees and Charges](#)

▶ [Business Consulting & Advisory Services](#)

- ▶ [Easy, 10000 & Starting](#)
- ▶ [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 >](#)

Quick Facts on ETFs

[SEMINAR PRESENTATIONS](#)
[<click here>](#)

Spotlight on new products

Out of the Ordinary®

 **Investec**
Specialist Bank

 The Home of Exchange Traded Funds®

[Introducing the RMB MidCap ETF](#)

[Another first from RMB](#)

 The Home of Exchange Traded Funds®

 **GRINDROD BANK**
PREFex

 The Home of Exchange Traded Funds®

The Home of Exchange Traded Funds®



For More Information on ETFs/ETNs

Click on the "ETF or ETN" button



The Home of Exchange Traded Funds®

NewGold

South African--Equity--Resource

NewGold

PRICE

- TRI - South African - Equity - Resource
- TRI - NewGold



Latest NAV 21 Mar 2013 14 375.00c
NAV on 24 Sep 2012 14 220.00c

PERFORMANCE TO 22 MAR 2013

R1 000 LUMP SUM (NAV-NAV INCL. DIVIDENDS)

PERIOD	Return	Value(R)	Inflation(R)
3 MONTHS	5.89%	1 058.90	1 016.60
6 MONTHS	2.33%	1 023.30	1 035.30
1 YEAR	18.40%	1 184.00	1 060.80
3 YEARS	22.39%	1 833.50	1 170.20
5 YEARS	14.22%	1 944.20	1 348.40

R100 PER MONTH (NAV-NAV INCL. DIVIDENDS)

PERIOD	Return	Value(R)	Inflation(R)
3 MONTHS	5.84%	311.83	201.36
6 MONTHS	3.36%	611.87	512.80
1 YEAR	12.48%	1 284.30	1 167.45
3 YEARS	17.31%	4 743.92	4 339.59
5 YEARS	16.50%	9 357.63	8 849.88

* VALUES FOR PERIODS GREATER THAN ONE YEAR ARE ANNUALISED

Focus and Objective

NewGold gives investors the opportunity to benefit from the performance of the value of Gold. This is achieved through the purchase of Gold Bullion Debentures, which are listed and traded through the JSE and are backed by

Technical Overview

FORMATION DATE: 1 Nov 2004
BENCHMARK: PHYSICAL GOLD BULLION PRICE
HOLDINGS: 1
UNIT HOLDERS: n/a
ORIGINAL PRICE: n/a

Benefits of Investing in NewGold

- Gold is an effective portfolio diversifier;
- a store of value;
- a safe haven investment;
- a low risk investment compared to gold stocks;
- has positive track record in terms of returns, compared to the broad market;
- is an excellent rand hedge;
- as well as an excellent USD hedge.

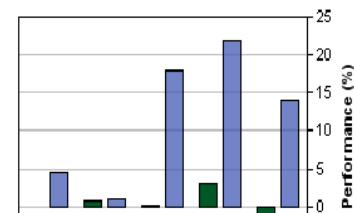
Management

NewGold Securities

This fund is managed by NewGold Managers (Pty) Ltd

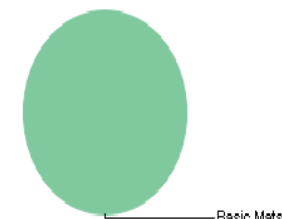
Comparative Performance

- South African - Equity - Resource
- NewGold



Asset Allocation

Sectoral Breakdown



Profile page:

Continued/...

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

etfSA.co.za Monthly Performance Survey Best Performing Index Tracker Funds – 28 March 2013 (Total Return %)*

Fund Name	Type	5 Years (per annum)	Fund Name	Type	3 Years (per annum)
Prudential Property Enhanced	Unit Trust	20,44%	Satrix INDI 25	ETF	26,44%
Satrix INDI 25	ETF	19,26%	Prudential Property Enhanced Index Fund	Unit Trust	23,22%
Proptrax SAPY	ETF	19,02%	Proptrax SAPY	ETF	21,95%
Satrix DIVI	ETF	17,21%	NewGold	ETF	21,16%
		2 Years (per annum)			1 Year
Satrix INDI 25	ETF	30,57%	Standard Bank Corn-Linker	ETN	48,09%
Proptrax SAPY	ETF	27,60%	Standard Bank Palladium-Linker	ETN	41,42%
DBX Tracker MSCI USA	ETF	27,48%	Satrix INDI 25	ETF	38,28%
NewFunds eRAFI FINI 15	ETF	27,09%	NewFunds eRAFI FINI 15	ETF	37,52%
		6 Months			3 Months
Standard Bank Palladium Linker	ETN	34,38%	DBX Tracker MSCI USA	ETF	21,27%
DBX Tracker MSCI Japan	ETF	31,53%	DBX Tracker MSCI Japan	ETF	20,42%
DBX Tracker MSCI World	ETF	22,09%	Standard Bank Palladium-Linker	ETN	18,48%

Source: Profile Media FundsData (28/03/2013)

* Includes reinvestment of dividends.

My Profile - Watchlist

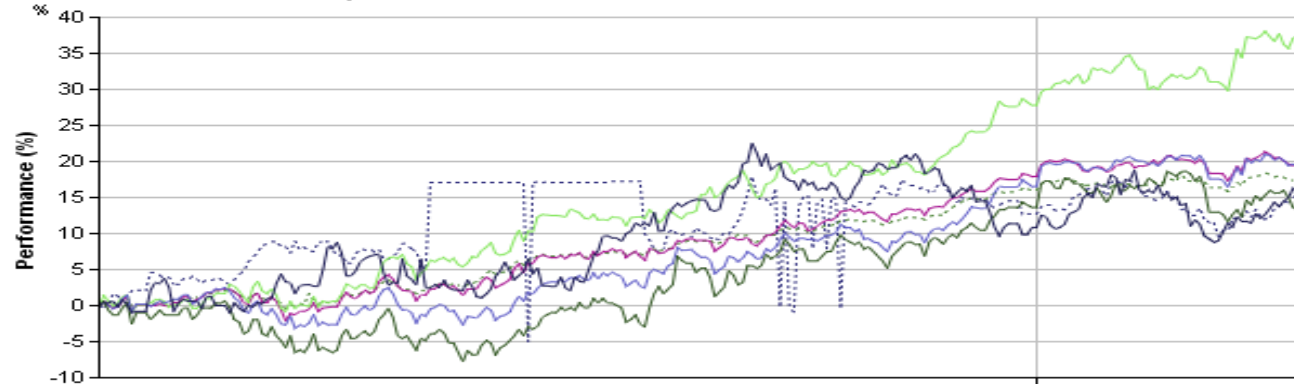
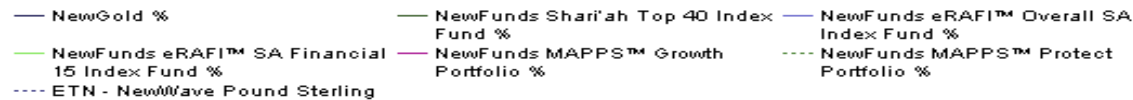
Manage Watch Lists	Performance Chart	Rank Funds	Consistency of Performance	Risk Return
--------------------	-------------------	------------	----------------------------	-------------

Performance for Watch List: absa - march

Periodic performance data as at 20 Mar 2013

Fund	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
NewGold %	5.72%	5.70%	1.05%	18.02%	21.74%	21.90%	13.94%
NewFunds Shari'ah Top 40 Index Fund %	-2.57%	0.00%	8.35%	13.31%	6.66%	8.18%	
NewFunds eRAFI™ Overall SA Index Fund %	-0.40%	2.48%	11.43%	18.68%	16.11%	13.76%	
NewFunds eRAFI™ SA Financial 15 Index Fund %	3.69%	7.11%	21.55%	38.13%	30.60%	18.71%	
NewFunds MAPPST™ Growth Portfolio %	-0.21%	1.60%	9.62%	19.64%			
NewFunds MAPPST™ Protect Portfolio %	0.19%	1.36%	7.83%	17.68%			
ETN - NewWave Pound Sterling %	3.38%	1.52%	4.30%	16.45%			

Values for periods greater than one year are annualised.



2013

The Home of Exchange Traded Funds®



Investor Clubs / Stokvels

- **Cater for groups of investors/savers in a non-corporate structure.**
- **Club / Stokvel needs to have a structured framework in order to register for investment through a financial platform/stockbrokerage.**

Starting & Managing an Investor Club/ Stokvel

ADMINISTRATION REQUIREMENTS Required Documentation

1) Constitution / Founding Document

Sample Stokvel/Investor Club Constitution

The name of the Stokvel is.....

Aims and Objectives

To promote personal and group development and friendship among members.

To save money and eventually look for business opportunities for the club.

To contribute money for the following:

Bonds for members through Bond a Property

Payday loans for members through Loans Acceptable

Buy vehicles for Rent to Own vehicle plan through Country Wide Car Rental.

To invest in stockmarket securities, including Exchange Traded Funds (ETFs) to build up wealth for club members.

Membership

Membership per club will be limited to members (list number of members).

Members will supply the club with their personal details (ID number, date of birth and residential address).

Members must obey the club constitution.

Should a member die, his or her family members will not automatically become members of the club.

Stokvel Executive

The executive committee will consist of the following positions:

Chairperson, whose responsibilities are:

To lead and prepare the agenda for meetings.

Make sure rules are followed.

Approve money withdrawal with other executive members.

Explore opportunities for growing the club.

Continued/...

Starting & Managing an Investor Club/ Stokvel

ADMINISTRATION REQUIREMENTS Required Documentation

Continued/...

2)	Document / Letter authorising a representative/authorised person to act on behalf of the Club/Stokvel (signed by all members)
-----------	--

AUTHORIZATION LETTER

Date
Name of Investor Club / Stokvel

Dear Sirs
We the undersigned members of the.....
(insert name of Club / Stokvel), hereby authorise
..... to act on behalf of the
members in all matters relating to: the administration and operation
of our investments: applications to open investment and bank
accounts; including signing of any documents relating to these
matters.
Any and all acts carried out by, on
behalf of the members, shall have the same effect as acts of our
own.
This authorisation is valid until further written notice by
.....(insert name of Club / Stokvel).
Sincerely,

List of Members	Signatures

Continued/...

Starting & Managing an Investor Club/ Stokvel

ADMINISTRATION REQUIREMENTS Required Documentation

Continued/...

3)	Register (with ID numbers, addresses, contact details) of all members.
-----------	---

4)	Bank account in the name of the Club / Stokvel.
-----------	--

Continued/...

Starting & Managing an Investor Club/ Stokvel

FICA REQUIREMENTS (to be sent to investment administrators)

Continued/...

- **Copy of Constitution / Founding Statement.**
- **Election Document / Letter for Representative / Authorised Person.**
- **Copy of Register of Investors.**
- **Copy of Club / Stokvel bank statement/cancelled cheque.**
- **FICA documents for Representative/Authorised Person.**
 - **ID**
 - **Proof of residence.**

Using ETPs In Investor Clubs / Stokvels

- **Less risk (more diversification) by using ETP portfolios to provide exposure to equities, bonds, listed property and other asset classes.**
- **Low costs do not eat into investment performance.**
- **Low investment minimums**
 - **Lump sum investments from R1000 for initial/additional investments**
 - **Can do debit orders from R300 per month/product.**
- **Quarterly dividends can be paid out or reinvested depending on choice of Club/Stokvel.**

Continued/...

Using ETPs In Investor Clubs / Stokvels

Continued/...

- **Can be bought or sold instantly to cater for new/leaving investors.**
- **Very transparent – performance can be monitored daily.**
- **Reduced need for research into individual shares.**
- **ETPs are both FSB and JSE regulated and controlled.**

Using etfSA Investor Scheme[®]

- **Specifically caters for Investor Clubs / Stokvels (see application form).**
- **Offers choice of 62 ETFs/ETNs**
- **Easy switching/sale/transfer to facilitate portfolio management**
- **Website provides**
 - **Education**
 - **Product information**
 - **Performance data**
 - **Portfolio watchlists**
- **Advisory services on request.**

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
- Specialise in ETPs only.

Visit www.etfsa.co.za

Contact details

Website	www.etfsa.co.za – fully internet based
etfSA Call Centre	0861 383 721 (0861 ETFSA1) queries@etfsa.co.za
etfSA Management	Tel: 011 561 6653 Fax: 011 388 4674 info@etfsa.co.za

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.