

MAKING YOUR FIRST INVESTMENT IN EXCHANGE TRADED PRODUCTS (ETPs)

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Introduction

Even if this is your first investment into the share market, don't be scared – Exchange Traded Products (ETPs) have been designed to be simple, easy to understand, transparent and to give exposure to a diversified basket of shares listed on the JSE.

Discretionary Investments

You can make investments in ETPs from R1000 for lump sum (once-off investments), or you can do monthly (recurring) investments from R150 per month through debit orders utilising the **etfSA Investor Plan** transaction platform. Of course, these are just the **minimum** investment amounts accepted, **you can invest considerably more than this if you wish**. Any income received in dividends or interest in your ETF account will incur tax, as will any capital gains realised if you sell our investment and make a capital profit.

All you have to do is to fill in the **New Business Application Form** (click here to access: <http://www.etfsa.co.za/howto.htm>); select the ETFs or ETNs you want to invest in; and send the application form to us, together with clear copies of your ID document, proof of address and proof of your banking account details (not older than 3 months).

etfSA Investor Plan enables investors to transact and access information on all ETPs available on the JSE (currently over 75 products), by making information on all ETPs easily available through its website (www.etfsa.co.za). You can download quarterly fact sheets; daily price and product information (product profiles); performance data; product descriptions; and other product information.

Tax Free Investment Accounts

The annual investment limit for a tax free account is R33 000 per person per tax year. The ETF Tax Free Accounts accommodate investments from R1000 for Tax Free portfolios and R300 per month in individual ETFs. These accounts allow for tax free reinvestment of all interest and dividends and no capital gains is payable on any profits made when selling you ETF investments. **To access the application form for the ETF Tax Free Investment Account, click here:**

http://www.etfsa.co.za/tax_free.htm

Contents	Page
<i>How to Fill in the Application Forms</i>	2
<i>Why Use ETPs for Investment?</i>	3
<i>What ETPs Should I Consider for Investment?</i>	4
<i>Selecting ETPs</i>	6

How to Fill in the Application Forms

1. Complete the application form.
2. Send in certified copies of the following documents:

- ☐ Clear copy of your ID Document
- ☐ Clear copy of your Proof of Residence (proof of residence older than 3 months will not be accepted).
- ☐ Clear copy of your Proof of South African Banking Details (not older than 3 months) (must reflect bank name, account holder's full name and bank account number). No internet and credit card banking details will be accepted.
- ☐ Clear copy of the Proof of Deposit, if investing in lump sum.

For Tax Free Accounts, **certified copies** of these documents are required.

3. Third Party Investments

You can invest on behalf of your children, grandchildren, or people that you employ, by opening an investment in their name.

Section 1 of the application form must be filled in with the details of the person for whom the investment is made.

Section 2 must be completed by you as the Third Party investor.

Section 3 must be completed and signed by the parents, if the investment is in the name of a minor.

4. Investments by Companies, Close Corporations, Stokvel/Investor Clubs, Partnerships, etc.

You can invest in etfSA Investor Plan through any of the above vehicles.

5. Only individual SA Citizens can invest in the Tax Free Investment Accounts.

Why Use ETPs for Investment?

Transparency	ETPs are listed securities, traded on the JSE. They have live prices available for surveillance at any time during the trading day.
Value	You buy one Exchange Traded Product and you get exposure to an entire portfolio of listed securities. You only pay stockbrokerage charges once. There is no securities transfer tax (STT) payable. This is the most cost effective way to invest in the JSE.
Diversification	The index constituent shares you own when you buy an ETP diversifies your risk and adds to your performance potential. ETPs provide a cost effective way of holding a basket of only the best shares on the JSE.
Clarity	ETPs publish their portfolios on their websites every day. You know exactly what you are buying and what you own at all times.

Simplicity	Your ETP gives you access to the total return (capital plus dividends) of a whole basket of shares. Buy one security and you get ownership of a full basket of top performing companies. Owning the index through ETPs is simple and profitable.			
Low Costs	etfSA Investor Plan		ETF Tax Free Investment Account	
	Market Value of Investments	Rate per Annum		Rate per Annum
	On the first R500 000	0,65%	Portfolio Management and Advice Fees	0,5% (incl. VAT)
	On the amount from R500 000to R1 000 000	0,50%		
	On the amount over R1 000 000	0,35%	Administration and Custody Fees	0,5% (incl. VAT)
	Transaction Charges Stockbrokerage charge for each transaction, including reinvestment of dividends	0,08%	All transaction fees for ETF portfolio purchases, reinvestment of dividends, etc. are included in the total fee of 1% per annum.	
Tradability	You can sell you ETPs at any time; reinvest dividends automatically; do switches between ETPs; change debit order instructions; do additional investments.			

What ETPs Should I consider for Investment?

Start-Up Investments

Obviously, we cannot provide specific investment advice without undertaking a full financial needs analysis of a prospective investor to comply with FAIS legislation. However, as a broad guideline, the following are the most popular ETFs which might be considered for **start-up portfolios**.

Start-Up ETFs				
ETF Fund	Past Performance (% Total Return*)			
	1 Year	3 Years (per year)	5 Years (per year)	Comment
Satrix INDI 25 ETF	(2,54%)	10,91%	19,84%	Low risk fund. Top performer amongst all unit trust/ETFs
Satrix DIVI ETF	5,83%	12,00%	14,91%	Invests in companies that pay high dividends.
Ashburton Top 40	6,60%	5,92%	13,19%	Most efficient way to purchase top 40 shares.
Proptrax Ten ETF	14,64%	18,32%	15,94%	Invests in only the Top Ten listed property shares on the JSE, with allocation equally weighted. Good way to diversify a portfolio.
DBX Tracker USA ETF	(1,53%)	12,17%	17,79%	Invests in a portfolio of 600 US companies.
Source: etfSA.co.za/Profile Data (January 2017).				
* Total return measures price appreciation with dividends reinvested.				
Note: There is no certainty that historic total return performance will be repeated in future.				

You can invest in just one of the above ETFs, or pick more than one from the above list, or choose any other of the more than 75 ETFs/ETNs available on the etfSA Investor Plan.

Please note, this does not constitute financial advice, this table is purely shown for illustrative purposes.

Asset Allocation Portfolios

Many investors on the etfSA.co.za platform choose to invest in more than one ETF, often looking to structure a portfolio of ETPs across different asset classes, asset sectors and investment types. Typically, it is prudent to diversify a portfolio amongst different types of investments for the following reasons: to diversify (which reduces risk); to enhance performance potential; or to meet specific investment requirements.

For investments of R1 million or more, etfSA Portfolio Management Company can design and operate diversified multi-asset ETF portfolios that are specifically structured to the risk and investment requirements of the individual investor. Please contact portfolios@etfsa.co.za for a bespoke investment portfolio.

Selecting ETPs

The etfSA.co.za website (www.etfsa.co.za) provides extensive information on all the ETFs and ETNs available in South Africa, to help you decide which products to choose. A good guide is often to consult the "Monthly Performance Surveys", which appear on the website at the end of each month.

However, should you require further guidance or advice, please consult a registered Financial Services Provider (FSP). Please check to see that they are registered with the Financial Services Board and have the current licenses to advise on Collective Investment Schemes or JSE listed securities.

Alternatively, etfSA.co.za, which is a registered Financial Service Provider, can provide advice. However, in order to do this, we need to conduct a full financial needs analysis of your financial circumstances, risk profile, objectives and financial requirements. This is only really worthwhile if you are a significant investor.

For more general guidance, you may wish to attend the **free ETP Investment Seminars**, that etfSA.co.za holds on a monthly basis with the JSE as partner. Details of these Seminars are on the website. Periodically, ETP Investment Seminars are held in other major centres around South Africa.

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