



State of the South African Exchange Traded Product (ETP) Industry – January to September 2017

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Market Capitalisation

The total market capitalisation of the 77 ETFs/ETNs, listed on the JSE, as at 29 September 2017, was R87,5 billion. This was an increase of 18,1% on the market capitalisation of all ETPs, at the end of 2016.



Following a period of some stagnation from 2014 to 2016, where the total market value of the ETP industry remained pegged at below R80 billion, the rise in market capitalisation to date in 2017, has been most encouraging

The ETP Industry in 2017

Some of the increase in total market size of ETPs listed on the JSE comes from the rise in value of a number of local indices. However, there has also been some activity in the issuance of new Exchange Traded Products, or in raising fresh capital for ETPs already listed.

Just under R6 billion new capital was raised by such activity for the first 9 months of 2017. The Sygnia/Itrix ETFs which track global indices, but are listed and traded on the JSE in rands, were the biggest raisers of new capital in 2017, for their range of five global ETFs, which have been listed for 8-10 years on the JSE, but enjoyed a new surge in interest from local investors this year.

A newcomer in the ETP market were the custodian certificates issued by First Rand, which have been structured to qualify for listing as ETFs on the JSE Main Board. The Krugerrand custodian certificate ETF has a market capitalisation of R1 466 million, which appears to have been largely made up of the conversion of physical Krugerrands held by their customers to an ETF structure for the more efficient and liquid holding of such assets.

A few ETPs were delisted in 2017, including the CoreShares Green ETF, which never attracted any significant following and the BNP Paribas GURU ETNs on global market indices, which also failed to gain any traction in the local retail market.

As at end-September 2017, a record number of 77 ETFs and ETNs were listed on the JSE, further signifying the health of the industry.

Review of the ETP Issuers

The table below shows the number of ETPs in issue, the total market capitalisation for each issuer of ETPs in South African and the new capital raised for ETP listings per issuer to date in 2017.

The South African Exchange Traded Product Industry (as at 30 September 2017)						
		Value (Market Cap) of Shares in Issue (Rm)		Number of Products		New Capital Raised/Redeemed (Jan-Sept 2017) (Rm)
	Issuer	ETFs	ETNs	ETFs	ETNs	
1.	Barclays/Absa Capital	33 066,4	624,8	16	5	775,1
2.	Sygnia/Itrix	13 994,4	-	5	-	1 374,6
3.	Satrix Managers	13 972,5	-	12	-	405,7
4.	Standard Bank	8 797,0	1 508,8	4	10	815,9
5.	Deutsche Bank		4 994,6	-	3	-
6.	Standard/Liberty	2 757,0	-	3	-	4,8
7.	CoreShares	2 201,1	-	9	-	346,7
8.	Investec Capital	-	2 020,7	-	3	-
9.	Ashburton	1 844,4	-	3	-	261,5
10.	First Rand	1 727,8	-	2	-	1 876,4
11.	Cloud Atlas	14,0	-	1	-	13,2
Totals		78 374,6	9 148,9	55	21	5 873,9
Source: etfSA.co.za / JSE / Profile Data (29/9/2017).						

Barclays/Absa Capital remains by far the biggest issuer of ETPs in South Africa, both by the number of ETPs in issue and by market capitalisation. The bulk of the capital for ETPs issued by Barclays/Absa are commodity ETFs, with NewGold ETF holding the distinction of being the largest ETF on the SA market, with a market capitalisation of R18,4 billion, as at end-September 2017.

Sygnia/Itrix, who took over the DBX Tracker MSCI ETFs in mid-2017, which were renamed the Sygnia/Itrix ETFs in September 2017, have moved into second place in the market capitalisation tables. The five ETFs they have in issue, had a total market capitalisation of R13 994,4 million at the end of September 2017.

Satrix, which had been dormant in the listing of new ETFs, since 2008, returned to the new issuer market in 2017. It has now listed five new ETFs to date in 2017, including global ETFs which track international indices, providing some competition for the well-established Sygnia/Itrix global ETFs.

Deutsche Bank continues to issue Exchange Traded Notes (ETNs), as it only sold its ETFs to Sygnia. These products remain popular with investors as they give access to emerging market indices.

A completely new entrant to the ETF market in 2017 was Cloud Atlas, an empowerment company that, in April 2017, launched the AMI Big 50 Pan Africa (outside South Africa) ETF, which tracks an index of the top 50 companies, in the five most investable African stockmarkets outside South Africa.

Market Returns in the First 9 Months of 2017

The table below shows the changes in the main local equity market indices for the first three quarters of 2017.

Index / Asset	30/12/2016	22/9/2017	% Change
FTSE/JSE Industrial 25 Index	64 283	76 020	18,2
FTSE/JSE Top 40 Index	43 902	49 570	12,9
FTSE/JSE All Share Index	50 654	55 870	10,3
FTSE/JSE Resources 10 Index	32 109	34 760	8,3
FTSE/JSE Financials 15 Index	15 078	15 343	1,8
Gold (per oz.) (US\$)	1 157	1 296	12,0
SA Government Bonds (R186)	8,91%	8,46%	5,0
ZAR/US Dollar Exchange Rate	13,72	13,20	0,4
<i>Source: JSE Limited / Profile Data.</i>			

With such general improvement in the market indices, following 3 years of market stagnation, the interest in index tracking ETPs is being stimulated. With a number of new issues to date in 2017, and the prospects of a number of further ETFs being issued in late-2017/early 2018, this revival of the Exchange Traded Product industry in South Africa is welcome and hopefully should continue.

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