



State of the South African Exchange Traded Product (ETP) Industry – as at 30 September 2021

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The competition to be the largest issuing company for ETPs in South Africa continued over the past quarter. Satrix Managers, who recently overtook Absa Capital (NewFunds, NewWave, NewGold) as the top issuing house, measured by assets under management (AUM), retained this position in the third quarter of 2021.

Sygnia Itrix has now also overtaken Absa Capital in the third quarter of 2021, to move into second spot, behind Satrix, in terms of total market capitalisation of all their ETFs in issue.

As pointed out many times before in this State of the Industry Report, Absa Capital has always been vulnerable to the key role played by commodity-based ETFs in their ETP offering portfolio and the sharp drop in many commodity prices in the third quarter of 2021 has dragged them to third place in the issuing company league table.

The competition for top spot in the South African industry, ranked by size, is an important element in the growth of the local index tracking business and further changes in the ranking order cannot be ruled out in future.

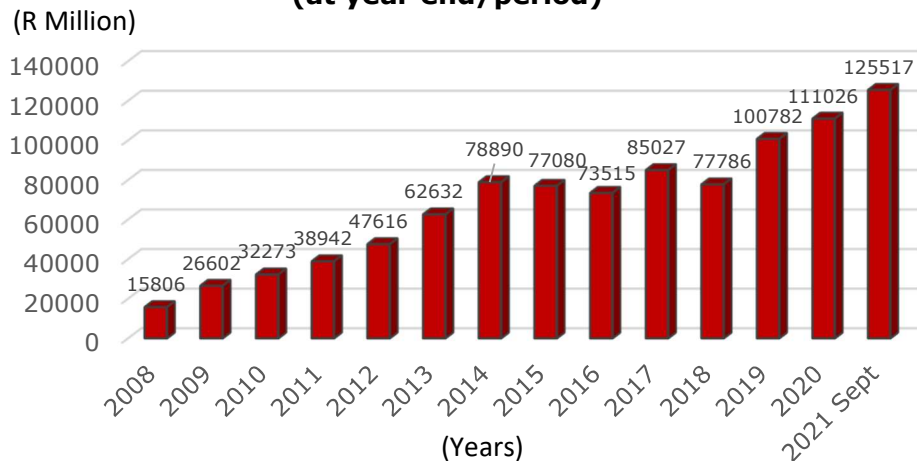
Top South African ETP Issuing Companies (Total Market Capitalisation (AUM))						
End-December 2020				End-September 2021		
Ranking		Rm		Ranking		Rm
1	Absa Capital	31 893,1		1	Satrix Managers	32 791,7
2	Satrix Managers	25 473,1		2	Sygnia Itrix	31 161,9
3	Sygnia Itrix	24 546,2		3	Absa Capital	30 857,9

Market Capitalisation

The total market capitalisation of the entire South Africa ETF and ETN industry rose from R124,5 billion at the end of June 2021 to R125,5 billion at the end of September 2021.

This fairly marginal increase in the size of the ETP industry in the third quarter of 2021, hides the solid growth in the ETP business as a whole this year, which has increased from R111,0 billion at end-2020 to R125,5 billion over the past nine months, a growth of 13,1%.

**SA ETP Industry
Total Market Capitalisation (Rm)
(at year end/period)**



Source: etfSA.co.za/Profile Data (Sept. 2021)

New Capital Raised

The growth of R14,5 billion in the total market capitalisation of the entire ETP industry during the first three quarters of 2021, was due to both growth in the underlying value of the ETPs already in issue, plus incremental new capital raised from the new listings or delistings of ETPs, as well as creations or redemptions of ETPs already in issue. The net new capital raised in the first 9 months of 2021 amounted to R5 773,2 million.

New Capital Raised / Redeemed (1 January - 30 September 2021) (by Issuing House)		
Issuing Product		(R million)
1.	Satrix Managers (ETFs)	4 178,6
2.	Sygnia Itrix (ETFs)	3 032,1
3.	Absa Capital (ETNs)	1 069,8
4.	Ashburton (ETFs)	730,8
5.	Cloud Atlas (ETFs)	695,6
6.	Union Bank of Switzerland (ETNs)	550,0
7.	CoreShares (ETFs)	410,5
8.	FirstRand (ETNs)	300,0
9.	FirstRand (ETFs)	1,8
10.	Standard Bank (ETNs)	(274,0)
11.	Absa Capital (ETFs)	(1 299,0)
12.	Invest (ETFs)	(3 173,0)
Total		5 773,2

Source: etfSA.co.za Quarterly Securities in Issue and New Capital Raised Survey (September 2021).

The winners, in terms of growing their total capital base, have been Satrix and Sygnia Itrix, with their focus on foreign referenced ETFs. The investment returns on these offshore products have been disappointing in 2021, mainly because of the appreciation of the rand/dollar exchange rate. However, the unique access to foreign referenced assets provided by “inward listed” ETFs and ETNs on the JSE, whereby exchange control restrictions are not applicable for corporate and individual investors, has provided good demand for foreign assets easily traded as ETFs/ETNs on local exchanges, rather than the cumbersome process of transferring and repatriating funds abroad through the bureaucratic exchange control process.

The tables alongside, showing the top individual ETFs/ETNs that have raised, or redeemed, the most capital in the past nine months, is revealing as it displays the predominant role of foreign referenced ETPs in the raising or redemption of capital.

New Capital Raised/Redeemed 1 January – 30 September 2021 (Individual Securities)		
Capital Raised		
		R million
1.	Sygnia Itrix Emerging Markets 50 ETF	1 270,1
2.	Satrix MSCI World ETF	1 095,2
3.	Satrix 40 ETF	973,5
4.	Sygnia Itrix 4 th Industrial Revolution ETF	626,1
5.	NewWave Silver ETN	621,3
6.	Standard Bank Oil ETN (new listing)	503,0

Capital Redeemed		
1.	Invest Platinum ETF	(2 469,0)
2.	NewGold Platinum ETF	(962,1)
3.	NewGold ETF	(814,8)
4.	Standard Bank Oil ETN (delisting)	(707,2)
5.	Invest Gold ETF	(492,9)
6.	Invest Rhodium ETF	(428,1)

The individual securities listing/delisting rankings table shows that the winners have been typically foreign referenced equity ETPs and the losers, foreign referenced commodity-based ETPs.

Snapshot of the SA ETP Industry as at 30 September 2021

The South African Exchange Traded Product Industry (as at 30 September 2021)						
	Issuer	Number of Products		Value (Market Cap) of Shares in Issue (Rm)		Total Market Capitalisation (Rm)
		ETFs	ETNs	ETFs	ETNs	
1.	Satrix Managers	22	-	32 791,7	-	32 791,7
2.	Sygnia Itrix	13	-	31 161,9	-	31 161,9
3.	Absa Capital	18	5	28 968,8	1 889,1	30 857,9
4.	Invest	13	-	8 065,7	-	8 065,7
5.	CoreShares	9	-	5 130,5	-	5 130,5
6.	UBS	-	14	-	5 046,0	5 046,0
7.	Ashburton	5	-	4 466,6	-	4 466,6
8.	FirstRand	3	42	1 296,6	2 977,6	4 274,2
9.	Investec	-	2	-	2 252,4	2 252,4
10.	Standard Bank	-	2	-	800,2	800,2
11.	Cloud Atlas	2	-	670,0	-	670,0
Totals		85	65	112 551,8	12 965,3	125 517,1
Source: etfSA.co.za / JSE / Profile Data (30/9/2021).						

Satrix Managers

Since mid-year 2021, Satrix has taken back the top spot from Absa Capital as the biggest issuer (measured by market capitalisation or AUM) in the South African ETP industry. Satrix last held top spot late in 2008, so it has taken a long time for Satrix to regain its predominant position in the local ETP business.

Satrix were very active in the third quarter of 2021. Two new ETFs were issued, namely:

- **Satrix Global Infrastructure ETF** – tracks an index of companies around the world that derive at least 65% of their revenue from infrastructural projects. With major infrastructural programmes underway in the US, Europe and the Far East, predominantly driven by the need for “green infrastructure”, this ETF will probably prove to be a good long-term investment.
- **Satrix Inclusion & Diversity ETF** – tracks an index of 30 JSE-listed companies that best demonstrate diversity and inclusion in the workplace, based on gender, race, physical ability and background.

Late in the third quarter, it was announced that the purchase of Absa's managed investments division by Sanlam, will include the NewFunds ETFs, less the commodity-based ETFs which will remain with Absa Capital, as will the ETNs.

The deal, when it is finalised, probably only in the first half of 2022, will add 15 ETFs to the Satrix stable, with a value of R4 850 million (at 30/9/2021). This will likely help cement Satrix Managers' position as the biggest provider in the SA ETP industry.

Sygnia Itrix

Sygnia Itrix has also climbed above Absa Capital, to closely follow Satrix in second place in the local ETP industry. Like Satrix, Sygnia Itrix benefits from its mix of diversified ETFs covering most major global equity markets.

It has also pioneered the "thematic" ETF space in the South African market, through its listing of the Sygnia Itrix 4th Industrial Revolution ETF, back in 2017.

Newly issued in the third quarter was the **Sygnia Itrix Solactive Healthcare 150 ETF**, listed on 6 August 2021. This ETF tracks 150 companies in the healthcare business spread across all developed markets. These innovative healthcare companies are likely to comprise a mega-trend in the next decade or more, which is the key long-term focus of thematic-type ETFs.

Sygnia Itrix is reported to be considering the introduction of further thematic ETFs to the South Africa market and these products will be awaited with keen interest.

Absa Capital

Absa's focus on commodity referenced ETFs, which has driven its growth to becoming the biggest participant in the SA ETP industry from 2008 to 2020, finally experienced a nemesis this year, with the recent sharp drop in precious metal prices. Of course, fundamental demand factors still look favourable for Platinum Group Metals, in particular, when slowing automobile industry demand caused by the global shortage of semi-conductors and electronic chips are redressed, but the speculative demand that drove PGM prices to record highs in late-2020, will be followed with greater caution by many investors.

The sale of the Absa non-commodity ETFs to Sanlam/Satrix, will also have an impact on Absa's ETP business and their future restructuring plans and strategies, will be of interest.

Invest

Invest has suffered even more damage than Absa from the scaling down in commodity prices. In the first three quarters of 2021, some R3,5 billion Invest commodity ETFs were redeemed and delisted from the JSE, compared with R2 billion for Absa Capital.

Invest still holds on to its fourth position in the ETP industry by a clear margin, but here again, some restructure and less focus on commodities might be anticipated.

Union Bank of Switzerland

UBS continues with its programme of underwriting the issue of actively managed ETNs, which require the support of a bank balance sheet. Since kicking-off in late-2018, the UBS stable now covers 14 different products.

Two new ETN products issued by Absa (Private Clients) and Old Mutual Wealth, have been added to the UBS range available through the JSE during 2021.

FirstRand

The introduction of single stock tracking ETNs, listed on the JSE, has provided easy and low cost access to the most highly traded US shares. The JSE listing does not require exchange control permission for investment by corporate and individual investors.

In the third quarter of 2021, FirstRand added 6 new ETNs to its stable, which track thematic indices, rather than individual stocks. These are:

- iShares Global Clean Energy ETN
- iShares Global Water ETN
- UBS MSCI World Socially Responsible ETN

All of these new products use globally listed ETFs as the feeder funds and are all available in compo (rand only) or quanto (dollar/rand) form.

Market acceptance of these new thematic ETNs appears to have been muted, possibly because of very little publicity or marketing of these index tracking products.

The FirstRand stable of ETPs now consists of the actively managed ETNs, dollar bond and Krugerrand ETFs and the Ashburton range of ETFs, all separately branded and some consolidation of these products in the FNB portfolio, could be expected in due course.

Cloud Atlas

This issuing house, whilst still the smallest in South Africa, has attracted some institutional interest for its **AMI Big 50 Africa Equity ETF** and the newly listed **S&P African Sovereign Bond ETF**, which have raised an additional R695,6 million new capital for this company in 2021.

Note: full details for each Exchange Traded Fund and Exchange Traded Note are available on the quarterly reports available on the etfSA website: www.etfsa.co.za:

- All South African ETFs & ETNs – Market Capitalisation Totals – December 2009 to September 2021.
- ETFs & ETNs survey – Securities in Issue and New Capital Raised/Redeemed (for period ended 30 September 2021).



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