

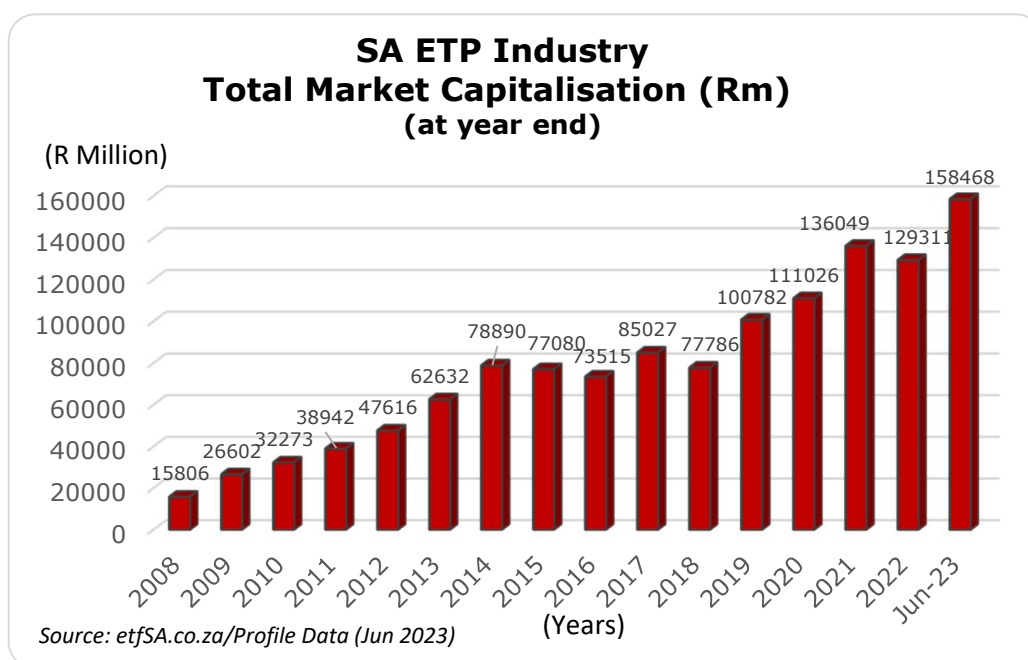
## State of the South African Exchange Traded Product (ETP) Industry – as at 30 June 2023

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### INDUSTRY OVERVIEW

The total market capitalisation of all ETPs listed on the JSE (which includes ETFs, ETNs, AMCs and AMETFs) amounted to R158,5 billion at the end of the second quarter of 2023.

The total size of the ETP industry has increased by R29,1 billion, or by 22,5% between end-December 2022 and 30 June 2023.



This is a record high level for the listed index tracking business in South Africa and reflects two broad trends:

1. The growing number of ETPs in issue; and
2. Net new capital raised.

## 1. NUMBER OF ETPs IN ISSUE

The number of ETPs in issue has increased from 183 at end 2022 to 201 listed products at end-June 2023.

A breakdown of the ETP product types is shown below in Table A.

**Table A**

Number of Exchange Traded Products in Issue (end of period)					
	2019	2020	2021	2022	June 2023
Exchange Traded Funds (ETFs)	73	78	86	95	97
Exchange Traded Notes (ETNs)	29	59	82	66	71
Actively Managed Certificates (AMCs)	-	-	-	22	32
Actively Managed ETFs (AMETFs)	-	-	-	-	1
<b>Totals</b>	<b>102</b>	<b>137</b>	<b>168</b>	<b>183</b>	<b>201</b>
<i>Source: etfSA.co.za (June 2023)</i>					

The key to recent growth in the number of ETPs in issue has come from Actively Managed Certificates (AMCs), which were introduced by a change in the JSE Listing Requirements in October 2022. This category of listings got a head start by the conversion of actively managed ETNs into AMCs by Union Bank of Switzerland (UBS). The new AMC listing requirements, under Section 19 of the JSE listing regulations, have enabled greater clarity and structure on the listing of actively managed portfolios.

Further AMCs have been listed by Standard Bank and UBS in recent months, which bodes well for this sector of the industry

The AMC listing requirements require that third party asset managers be utilised by the issuer of the AMC notes, which opens the door for listing “white label” actively managed products on the JSE.

A more recent addition to the JSE’s Main Board was the first listing of an Actively Managed Exchange Traded Fund (AMETF) in June 2023. This first product, the CoreShares Actively Managed Income Fund (INCOME), adheres to the stricter requirements for AMETFs, in that they need to be CISCAs registered funds with the FSCA, can only invest in listed instruments and also require high levels of transparency and disclosure.

## 2. NEW CAPITAL RAISED

The other contributor to growth in the market capitalisation of the ETP industry, has been net capital raising by IPOs for new ETPs, plus the issue/ redemption of securities of ETP products already in issue. Exchange Traded Products (ETPs) are, of course, open-ended and the number of securities can change in issue at any time.

The first half of 2023 saw a total of R10,33 billion new capital raised, one of the highest figures recorded in a six month period for the industry, over its 22 year history.

Table B, below, shows the amount of capital raised/or redeemed per issuing house for the past six months.

**Table B**

Net New Capital Raised / (Redeemed) - South African ETP Issuing Houses – First Half 2023		
Issuing House		Total Capital (R million)
1.	Invest (ETFs)	5 333,8
2.	CoreShares/10X (ETFs)	2 234,6
3.	Union Bank of Switzerland (AMCs)	1 390,7
4.	Absa Capital (NewFunds ETFs, NewGold ETFs)	1 187,1
5.	Satrix Managers (ETFs)	1 013,7
6.	FNB (ETFs)	355,7
7.	Standard Bank (AMCs)	350,0
8.	Union Bank of Switzerland (ETNs)	125,0
9.	Prescient Management Company (ETFs)	116,0
10.	FNB (ETNs)	110,0
11.	Absa Capital (NewWave ETNs)	(211,5)
12.	Sygnia Itrix (ETFs)	(1 666,7)
<b>Total</b>		<b>10 338,4</b>
<i>Source: etfSA.co.za Quarterly Securities in Issue and New Capital Raised Survey (June 2023).</i>		

A stand-out feature to date this year has been the issue of additional platinum ETFs which track the US dollar price of platinum bullion, for both Invest (R3 995,7 million) and NewGold Platinum (R2 092,7 million). Some investors believe that the outlook for platinum is favourable, because of its use in the conversion of hydrogen to either electric or internal combustion engines to power machinery and vehicles and that the investment in physical platinum bullion is more attractive than investing in local platinum mining companies.

CoreShares 10X benefitted from its mutual shareholder, Old Mutual, using the ETF products issued by its in-house issuing company to increase its exposure to passively managed ETFs, as part of its asset managing strategy.

The biggest redemptions in ETP securities were recorded by Sygnia Itrix, which appears to derive from profit-taking by institutional investors, locking-in the profits on foreign referenced ETFs, which have also benefitted from the rand's depreciation in early-2023.

## Snapshot of the SA ETP Industry as at 30 June 2023

**Table C**

The South African Exchange Traded Product Industry (as at 30 June 2023)										
	Issuer	Number of Products				Value (Market Cap) of Shares in Issue (Rm)				Total Market Capitalisation (Rm)
		ETFs	ETNs	AMCs	AM ETFs	ETFs	ETNs	AMCs	AM ETFs	
1.	Satrix Managers	41	-	-	-	48 654,0	-	-	-	48 654,0
2.	Sygnia Itrix	15	-	-	-	39 400,9	-	-	-	39 400,9
3.	Absa Capital	3	5	--	-	26 576,1	1 408,1	-	-	27 980,2
4.	FNB/FirstRand	8	42	-	-	7 517,4	3 609,0	-	-	11 126,4
5.	Invest	16	-	-	-	11 016,4	-	-	-	11 016,4
6.	CoreShares/ 10X	12	-	-	1	9 182,6	-	-	579,0	9 761,6
7.	UBS	-	22	26	-	-	631,2	7 868,6	-	8 499,8
8.	Standard Bank	-	2	6	-	-	1 248,5	659,6	-	1 908,1
9.	Prescient Management	2	-	-	-	120,4	-	-	-	120,4
10.	Cloud Atlas/ Easy Equities	-	-	-	-	-	-	-	-	suspended
<b>Totals</b>		<b>97</b>	<b>71</b>	<b>32</b>	<b>1</b>	<b>142 463,8</b>	<b>6 896,8</b>	<b>8 528,2</b>	<b>579,0</b>	<b>158 467,8</b>
Source: etfSA.co.za – Market Capitalisation – SA Industry Report (30/06/2023).										

As at 30 June 2023, the total size (market cap) of the ETP industry was R158 467,8 million, with 201 individual ETPs listed on the JSE.

Satrix Managers, with 41 ETFs in issue, is the largest issuer house in the industry, with a total of R48 654,0 million in AUM. Sygnia Itrix, with 15 ETFs, is the second biggest participant in the ETP industry, with R39 400,8 million in market capitalisation. The combined market capitalisation of Satrix and Sygnia, amounted to 55% of the South African ETP industry.

Absa Capital, from being the dominant issuer in the local ETP industry, has fallen back to third place, with R27 980,2 million under management. The sale of most of its ETFs to Satrix in March 2023 and the latent fall in precious metal commodity prices, has taken its toll on this issuer in recent quarters.

There is some competition for the next biggest issuing house for JSE listed ETPs, with FNB/First Rand currently holding on to fourth place with R11 126,4 million in AUM. Invest (formerly Stanlib), follows closely with R11 016,4 million under management. Standard Bank also issued 2 ETNs and 6 AMC under the Standard Bank brand, and the consolidation of these products under the Invest brand, would not be implausible in future.

Two new entrants to the table of ETP issuing houses in 2023 have been:

- **Easy Equities** – purchased the Cloud Atlas ETF Manco in April 2023 and the FSCA have approved the change in the name of this business to Easy ETFs (RF) (Pty) Ltd. It is understood that Easy Equities will be looking to list a series of new ETFs, likely focussing on actively managed portfolio products. The two ETFs, formerly issued by Cloud Atlas, namely the AMI Big 50 ETF and the S&P Africa Sovereign Bond ETF, have had their listings suspended by the JSE and Easy Equities is in the process of delisting these two ETFs.
- **Prescient Management Company (RF) (Pty) Ltd** are a new entrant to the issuing houses for ETPs. They have set up a platform to manage the listing and post-listing administration of actively managed portfolios. The first two products listed under this issuing house brand have been the Reitway Global Property Diversified ETF and the Reitway Global Property ESG ETF.

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## REPORT ON INDIVIDUAL ISSUING HOUSES

**Satrix Managers** – the transfer of some R4 billion Absa NewFunds ETF products to Satrix in early March, boosted the Satrix link-up significantly. Subsequent to this transfer, Satrix have processed substantial redemptions of some of these previously NewFunds products, which suggests that this may look to clean-up the number of ETF products they issue, particularly where duplication is involved. No new ETF products were issued by Satrix in the first 6 months of 2023, which also indicates that a tidy-up of their current ETF offerings is probably receiving priority.

The most successful Satrix ETF product, in terms of attracting new capital, by some distance, was the Satrix MSCI World ETF, which created R1 623 million in new securities over the first six months of this year. Other foreign reference ETFs, issued by Satrix, also attracted new flows of capital, reflecting the outperformance of global markets to date this year.

**Sygnia Itrix** – unlike Satrix ETFs, the Sygnia Itrix ETFs, tracking foreign reference indices, typically recorded substantial redemptions of securities in the first half of 2023. The large amounts involved for many redemptions, appeared to reflect institutional sales of these ETFs, probably associated with profit taking engendered by the weaker rand and improved global equity markets.

No new ETFs have been introduced by the company this year.

**CoreShares by 10X** – have been the most active of the ETF issuing houses, introducing three new ETFs to the market to date in 2023. These were the CoreShares Wealth Top 20 Capped ETF; the CoreShares Wealth Next 40 Equally Weighted ETF; and the CoreShares Yield Selected Bond ETF. It seems that these products may have been issued with the express requirement of Old Mutual, as there has been limited marketing of these products. Nonetheless, the 3 new ETFs combined, raised R557,5 million in new capital since listing.

CoreShares were also responsible for listing the first actively managed ETF (AMETF) on the JSE in May 2023. An AMETF differs from an actively managed certificate (AMC) in that all assets have to be physically held, the constituent securities need to be listed on an exchange and the transparency, liquidity and disclosure requirements are fully prescribed.

The CoreShares Income AMETF markets itself as giving “bond-like returns with less risk”, which is achieved by holding money market, inflation-linked and private credit instruments, as well as fixed interest bonds. Twenty percent of the portfolio is invested in offshore debt, with the rand volatility hedged to reduce its impact. The new CoreShares Income AMETF has raised R579 million in new capital in the six weeks it has been listed on the JSE.

**Union Bank of Switzerland (UBS)** – UBS pioneered the listing of AMCs on the JSE, when it converted 13 of its actively managed ETNs to Actively Managed Certificates in October 2022, following the publication of the JSE listing requirements for AMCs. It has subsequently added a further 13 AMCs by mid-2023. All of these products are managed by third party asset managers, utilising the UBS platform set up for the issue and administration of such products. As AMCs are notes and not fully physically backed products, UBS lends its balance sheet to such transactions to meet the JSE liquidity and solvency requirements.

In addition, UBS added 5 further themed index tracking ETNs to its stable in the second quarter of 2023. The total number of such themed index tracking notes issued by UBS now amounts to 22 products.

The total new capital raised by UBS for new listings of ETNs and AMCs in the first half of 2023 amounts to R1 390,7 million.

**Prescient Management Company** – Prescient launched a platform in the second quarter of 2023 to list ETFs, AMCs and AMETFs on the JSE. The platform provides the listings approvals by the JSE, draws up the required documentation and arranges the listing process. The platform subsequently provides the administration services and reporting requirements for the products on its platform.

The first two ETFs to utilise the Prescient platform were listed in June 2023. They were the Reitway Global Property Diversified ETF and the Reitway Global Property ESG ETF. Between them, R116 million new capital was raised by end-June 2023. These products have replaced the two Reitway actively managed ETNs previously listed on the UBS platform.

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**Note:** full details for each Exchange Traded Product is available on the quarterly reports available on the etfSA website: [www.etfsa.co.za](http://www.etfsa.co.za):

- All South African ETFs, ETNs & AMCs – Market Capitalisation Totals – December 2013 to June 2023.
- ETP survey – Securities in Issue and New Capital Raised/Redeemed (for period ended 30 June 2023).

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