



The Home of Exchange Traded Funds®

THE EXCHANGE TRADED PRODUCTS (ETPs) OPTIONS AVAILABLE FOR INVESTING DIRECTLY IN PLATINUM

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The recent listing of the **NewPlat ETF** by Absa now means that there are three ETPs, available on the JSE, dedicated to investment in the platinum market. The other two are the Absa **NewWave Platinum ETN** and the **Standard Bank Platinum-Linker ETN**.

There are subtle differences between these products, which can be briefly summarised as follows.

NewPlat ETF – are Platinum Debentures, fully backed by physical platinum bullion. The ETF securities are listed by NewGold Issuer Limited, the same company that issues the NewGold ETF securities.

The NewPlat ETF securities in issue are fully backed by physical platinum bullion, held in an Insolvency Remote Trust, controlled by Independent Trustees. NewPlat security holders buy a participatory interest in the platinum assets of this Trust. The independent Trustees will always ensure that the assets of the Trust cover the liabilities of the issuer of the ETF.

New Plat replicates the structure of a Collective Investment Scheme Exchange Traded Fund and is therefore classified by the JSE as an ETF.

NewWave Platinum ETN – also issued by Absa, the NewWave Platinum Exchange Traded Note constitutes an unconditional, unsecured and unsubordinated **obligation** of Absa Bank Limited to provide investors with exposure to the **spot price** of the platinum market. Holders of NewWave Platinum ETNs have to take into account the creditworthiness of Absa Bank, which has an AA2 rating from Moodys and AA+ rating from Fitch, the highest credit ratings for any South African bank.

Standard Bank Platinum-Linker ETN – the Standard Bank Commodity-Linker Exchange Traded Notes give investors exposure to platinum prices through **futures contracts** traded on the US Commodity Futures markets. The near-dated (3 month or less) futures contracts are utilised as the most cost-effective way of gaining exposure to commodities. An advantage of futures contracts, rather than spot market contracts, is that there is no need to incur the cost of owning, storing and insuring the physical commodity.

As in the case of NewWave Platinum ETNs, the holder of a Standard Bank Platinum-Linker ETN has to take into account the creditworthiness of Standard Bank as the issuer of the obligation. Standard Bank has an A2 credit rating from Moodys and an AA from Fitch.

Pertinent details of these Platinum ETPs, listed on the JSE, are shown below.

JSE LISTED PLATINUM ETPs			
	NewPlat ETF	NewWave Platinum ETN	Standard Bank Platinum-Linker ETN
JSE Code	NGPLT	NWPLT	SBAPL1
Exposure	Platinum Bullion	Platinum Spot Price	Platinum Futures Price
Exposure per security	1/100 th / oz platinum	1/100 th / oz platinum	1/116 th oz of platinum
Market cap of ETPs in issue	R2 905,2 million	R230,7 million	R233,0 million
Total Expense Ratio (TER) per annum	0,40%	0,40%	0,50%
Credit Ratings	Not applicable	AA2 (Moody's) AA+ (Fitch)	A2 (Moody's) AA (Fitch)
Current price per ETF security	R135,00	R135,00	R116,50
Source: Issuer company fact sheets etfSA.co.za (Data for 10 May 2013).			

A strong case can be made for investing directly in the platinum market through Exchange Traded Products listed on the JSE.

- There is no exposure in these products to **platinum mining shares**, which can be significantly affected by factors largely outside the control of the investor, including labour issues, strikes, mine accidents, regulatory changes and management decisions.
- The markets for trading directly in platinum metal have developed substantially in recent times. It is estimated that some 25% of all trade in platinum markets is now investor demand channelled through Exchange Traded Products.
- The platinum metal market is liquid and increasingly reflects current market sentiment towards the platinum investment market.
- ETPs listed on the JSE are "inward investments" for exchange control purposes, which means that retail investors can invest without any restrictions applying to exchange controls, foreign allowance limits and the need to obtain tax clearance (for institutional investors, the foreign "prudential" limits still apply).
- Recent changes to the Regulation 28 applying to investment exposure for pension and other retirement funds, now allow up to 10% of total assets to be invested directly in commodities. The listed ETPs are ideal for the purpose.
- Platinum ETFs and ETNs are rand denominated "spot" instruments traded on the JSE. They are by far the most cost-efficient, transparent and convenient way for local investors to invest directly in physical metal markets.

The three platinum ETPs can be transacted through JSE member stockbrokers or through specialised platforms, such as the etfSA Investor Scheme®.

For more information or detail, please contact Mike Brown, contact details below.

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