



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

Mike Brown, Managing Director, etfSA.co.za

During the second quarter of 2021, **Satrix Managers** became the largest issuer, measured by market capitalisation of ETFs, in South Africa. In doing this, it surpassed Absa Capital, which has been the lead issuer of Exchange Traded Products, since 2008.

Satrix Managers ETF products accounted for a market capitalisation of R31 884 million, compared with R31 452 million for the Absa Capital ETFs and ETNs, at end June 2021.

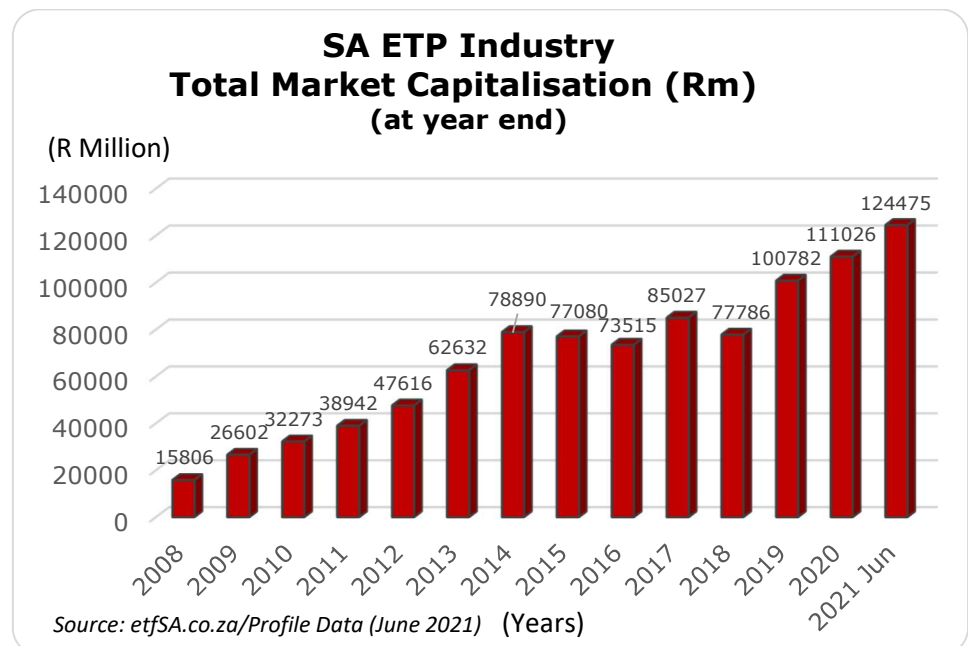
Sygnia Itrix also significantly increased the market capitalisation of its ETFs in the second quarter and now stands just below Absa Capital with R29 293 million ETFs in issue as at end of June 2021.

This scramble to be the top issuing house amongst these three companies signals a strong degree of competition in the ETP industry, which bodes well for the future

Market Capitalisation

The total market capitalisation of the entire South Africa ETF and ETN industry rose from R119,7 billion at the end of March 2021 to R124,5 billion at the end of June 2021.

During the first half of this year, total market capitalisation has increased by 12,1 percent, following the pattern of continuously gaining traction over the past three years.



The R13,5 billion increase in the total market capitalisation in the ETP industry in the first half of 2021 was partly due to the price rise in local equity market indices, but also due to new capital raised from creation of ETFs during this period.

New Capital Raised

Exchange Traded Funds and Notes are open-ended, so new capital can be raised or redeemed at any time to match market demand for any particular ETP. The open-ended nature of ETPs is, of course, an important factor in determining that these products trade at fair value at all times and not at the substantial discounts that apply to most fixed capital investment trusts and holding companies.

Accordingly, it is a feature of the daily SENS service that new listings of ETPs are announced on a very regular basis and that any new capital coming into or being redeemed is easily accommodated by the open-ended system.

During the first half of 2021, a total of R6 988,4 million new capital was raised by the ETP industry through the JSE. Only three new ETFs were listed in the first 6 months of this year, so the bulk of this new capital was raised by ETPs already in issue.

Table A shows the top individual ETFs/ETNs that raised the most new capital for the 6 month period under review.

Table A

Capital Raised Through Additional Issue of Securities (for 6-months to end June 2021)	
Issuing Product	Capital Raised (R million)
Satrix MSCI World ETF	1 007,8
Satrix 40 ETF	751,3
Sygnia Itrix MSCI Emerging Markets 50 ETF	675,7
Absa NewWave Silver ETN	626,1
Satrix RESI 10 ETF	542,1
Old Mutual Global Equity ETN (UOMWPA)	500,0
Satrix MSCI China ETF	494,5
Sygnia Itrix MSCI World ETF	425,2
Sygnia Itrix 4 th Industrial Revolution ETF	420,6
Sygnia Itrix S&P 500 ETF	401,1
Satrix Emerging Markets ETF	396,0
<i>Source: etfSA.co.za Quarterly Securities in Issue and New Capital Raised Survey (June 2021).</i>	

Of interest is that, with the exception of the Satrix 40 and Satrix RESI 10 ETFs, which track local market indices, the largest capital issuers over this period have been foreign referenced ETFs and ETNs. Given the underperformance of such offshore ETPs over the past year or more, relative to local ETPs, this demand for foreign referenced index tracking products can probably be attributed to :

- General belief amongst the investment public that offshore assets are safer or offer better long-term prospects than local financial assets.

- Strongly held views that the rand exchange rate will depreciate over time, so that investors can live with the short-term volatility that exposure to rand denominated foreign assets provides.
- The current relatively firm rand makes foreign assets attractive, as they are cheaper in rand terms.
- The growing awareness that buying foreign referenced assets on the JSE through inward listed ETFs and ETNs is not only cost effective, but also deals with exchange controls and forex costs very efficiently.

Snapshot of the SA ETP Industry as at 30 June 2021

Table B

The South African Exchange Traded Product Industry (as at 30 June 2021)						
	Issuer	Number of Products		Value (Market Cap) of Shares in Issue (Rm)		Total Market Capitalisation (Rm)
		ETFs	ETNs	ETFs	ETNs	
1.	Satrix Managers	20	-	31 881,4	-	31 881,4
2.	Absa Capital	18	5	29 674,0	1 778,1	31 452,1
3.	Sygnia/Itrix	12	-	29 292,9	-	29 292,0
4.	Invest	13	-	10 693,2	-	10 693,2
5.	UBS	-	14	-	4 908,4	4 908,4
6.	CoreShares	9	-	4 872,2	-	4 872,2
7.	Ashburton	5	-	4 173,0	-	4 173,0
8.	FirstRand	3	36	1 125,3	2 585,5	3 710,8
9.	Investec	-	2	-	2 277,0	2 277,0
10.	Standard Bank	-	4	-	1 066,0	1 066,0
11.	Cloud Atlas	2	-	148,3	-	148,3
Totals		82	55	111 860,3	12 615,0	124 475,3
Source: etfSA.co.za / JSE / Profile Data (30/6/2021).						

Satrix Managers – as highlighted earlier in this report, Satrix Managers, with its stable of 20 ETFs, has taken back its top spot in the ETP industry, measured by the market capitalisation of all its ETFs in issue, for the first time since 2008.

Satrix's strategy of focussing on its foreign referenced ETF products as a convenient, low cost and efficient way of gaining access to global assets by buying JSE inward listed products, appears to be gaining momentum. The feeder fund structure, whereby Satrix uses iShares offshore listed products to purchase the underlying 100% cover for its South African listed ETFs, is working well and has good market acceptance.

Satrix has indicated that it is looking to list further ETFs on the JSE during the course of this year, which could be of assistance to them in retaining their number one spot in the local ETP industry.

Absa Capital – Absa's vulnerability to the commodity price cycle, with 85% or more of the market cap of their ETFs and ETNs it has in issue linked to tracking commodity prices, has struck back in the first half of 2021. Although the positive commodity price cycle appears to still be intact, some profit taking in precious metals has led to an easing of such metal prices. This, coupled with a stronger rand exchange rate against the US dollar for much of the first half of this year, has led to a R3 billion decline in the market value of the three NewGold ETFs in issue, covering gold, platinum and palladium. This volatility, which has worked against Absa Capital in the past 6 months raises the question if this issuer should not be looking to broaden its product base.

Absa Capital did issue one new ETF in the period, the NewFunds Reitway Global Property ETF, tracking the Reitway Global Property index, which focuses on the larger and more liquid international property stocks that tend to follow general equity trends rather than pure property fundamentals.

Sygnia Itrix listed two new ETFs in the first six months of 2021, to take its tally of products to 12. The new ETFs are the S&P Global 1200 ESG ETF, which tracks a global index of companies meeting sustainability (ESG) criteria and the MSCI Emerging Markets 50 ETF, which focuses on larger emerging market companies. Both products have received good initial acceptance in the marketplace with over R1 billion new capital raised by the issue of these two new ETF securities.

The Sygnia Itrix strategy of specialising in foreign referenced ETFs, listed in rands on the JSE, is proving to be a winning strategy and this company is now challenging for the top position in the ETF industry.

Sygnia Itrix has indicated that further new ETFs are in the pipeline for 2021 and that thematic ETFs, which track global mega-trends, are part of this strategy.

Union Bank of Switzerland – UBS offers its high credit rating for credit backing to local asset managers looking to list actively managed Exchange Traded Notes on the JSE. This tactic is paying off with growing market acceptance of this active/passive blend strategy which is shown by the UBS stable of 14 ETNs now moving into fifth spot in the league table for ETP issuers.

CoreShares has been pushed down to sixth spot by the latent popularity of the UBS actively managed ETNs.

CoreShares issued one new product in the first half of 2021, the CoreShares Total World Stock Market Feeder ETF (share code: GLOBAL). This gives investors exposure to shares listed in 25 developed markets and 24 emerging markets, with 89% allocated to developed and 11% to emerging markets. This mix of emerging and developed markets is finding favour with local investors and regular new listings of additional CoreShares global securities are being announced on SENS, indicating strong acceptance of this product.

Cloud Atlas was able to announce some institutional investment in its AMI Big 50 ETF which tracks an index of shares listed on African stock exchanges, outside of South Africa. As a result, the market capitalisation of this ETF rose by R195 million.

Cloud Atlas also announced that the AMI Real Estate ETF, which tracks an index of African property shares, would be converted to the Cloud Atlas S&P African Sovereign Bond ETF. The new product will focus on dollar debt instruments issued by African nations. The African bond ETF offers interesting prospects of high yields, but with commensurate risk. The Cloud Atlas S&P Sovereign Bond ETF will be listed on the JSE in early August 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 June 2021.
- ETFs & ETNs survey – Securities in Issue and New Capital Raised/Redeemed (for period ended 30 June 2021).



www.etfsa.co.za • info@etfsa.co.za

Invest with the ETF specialists™

ETF Investments for:

- Individuals • Tax Free • Stokvels • Retirement • Managed Portfolios

Disclaimer: The Exchange Traded Products (ETPs) contained herein are mainly Collective Investment Schemes in Securities (CIS) and other listed securities which are generally medium to long-term investments that contain elements of risk and can be affected by market values, interest rates, exchange rates, volatility, dividend yields and issuer credit ratings. ETPs are listed on the Johannesburg, or other Stock Exchanges, and trade at ruling prices on such Exchanges.

The price of ETPs can go up as well as down and past performance is not necessarily a guide to the future. The ETP's herein are listed on the Johannesburg Stock Exchange Limited and trading in ETP securities will incur trading and settlement costs. ETF securities are traded at ruling prices and can engage in scrip lending.

The information and opinions provided herein are of a general nature and do not constitute investment advice. Whilst every care has been taken, no representation, warranty or undertaking, expressed or implied, is given as to the accuracy or completeness thereof.

etfSA.co.za is managed by M F Brown, who is a registered financial services provider (FSP No. 39217). M F Brown has Professional Indemnity Insurance as required by FAIS. The etfSA Investment Services Company (Pty) Ltd (FSP No 40107) provides asset management as well as financial intermediary and advice services. It uses Exchange Traded Products to construct portfolios for use in Retirement Annuity, Tax Free and Discretionary investments. It holds Professional Indemnity insurance and Fidelity Guarantee insurance as required by FAIS.

All opinions and information on this website may be changed at any time without notice. Redistribution, reproduction, the resale or transmission to any third party of the contents of this website, whether by email, newsletter, internet or website, is only possible with the written permission of etfSA. etfSA.co.za, its sponsors, administrators, contributors and product providers disclaim any liability for any loss, damage, or expense that might occur from the use of or reliance on the data and services provided through this website. etfSA.co.za® and etfSA The Home of Exchange Traded Funds® are registered trademarks in the Republic of South Africa.
