

State of the South African Exchange Traded Product (ETP) Industry – as at 30th September 2020

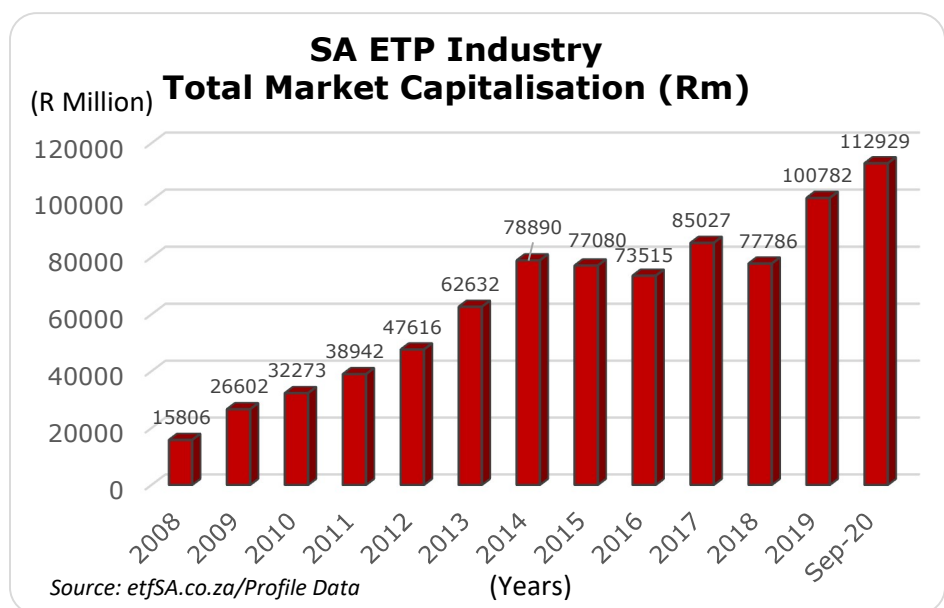
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Market Capitalisation

The total market capitalisation of all ETFs/ETNs, listed on the JSE, has risen from R100,8 billion at the end of 2019 to R112,9 billion as at 30 September 2020, an increase of 12,0%.

The total market capitalisation of the SA ETP industry declined to R91,7 billion, in the first quarter of 2020, when the impending COVID-19 crises and other uncertainties led to a sharp drop in global and local equity markets.

The subsequent recovery in the next two quarters has been significant.



Behind this big increase (by over R21 billion) in the size of the industry over the past 2 quarters, has been:

- The rebound in global equity markets, particularly in the US.
- A broad increase in commodity prices, notably precious metals and PGM metals, which have attracted attention as an alternative investment asset class.
- A rebound in the SA equity market, although it still remains well below its previous highs.

As well over 70% of the market capitalisation of the South African Exchange Traded Product industry is contributed by foreign referenced equity and commodity tracking ETFs and ETNs, the global revival, aided by some depreciation in the rand exchange rate, has been the key factor in the recent ETP industry revival.

New Capital Raised

The growth in the size of the local ETP industry to date this year has been due to the recovery in prices of many of the markets and assets tracked, rather than because of new capital raised by the listing of new ETPs, or the issue of new securities for ETPs already listed on the JSE.

For the first 9 months of 2020, the total capital in the industry, fell by R4 684,2 million. The key contributor was the delisting of the three global ETNs issued by Deutsche Bank, which covered the Chinese, Emerging and African Equity Markets in January 2020. This delisting, as these ETNs matured, resulted in a net capital redemption of R5 672,2 million. In addition, six ETNs, listed by Standard Bank, also reached their 10-year maturity date in the third quarter of 2020 and the delisting of these products accounted for a further net redemption of R1 520 million. The Standard Bank Oil ETF was able to raise new capital and list additional units as interest in oil, as an investment, picked up in the second quarter of 2020.

The delisting of the Deutsche and Standard Bank ETNs was only partially offset by new listings of ETFs over this period.

Table A shows the net capital raised or redeemed by the issuers of ETPs on the JSE, for the 9-month period, ending 30 September 2020.

Table A

Total Capital Issued/(Redeemed) by ETP Issuers 31 December 2019 to 30 September 2020		
	Issuing House	Total Capital Issued/(Redeemed) (R million)
1.	Satrix Managers (ETFs)	2 194,8
2.	Union Bank of Switzerland (ETNs)	902,1
3.	Absa Capital (ETNs)	436,0
4.	Invest (ETFs)	205,7
5.	FirstRand (ETFs)	47,0
6.	Ashburton (ETFs)	45,6
7.	Cloud Atlas (ETFs)	(3,3)
8.	CoreShares (ETFs)	(3,6)
9.	Sygnia Itrix (ETFs)	(133,8)
10.	Standard Bank (ETNs)	(1 346,6)
11.	Absa Capital (ETFs)	(1 354,9)
12.	Deutsche Bank (ETNs)	(5 672,2)
Total		(4 684,2)

Satrix Managers were the most successful issuing house in the first 9 months of 2020. It issued 6 new ETFs during this period, but also continued to attract new capital to the offshore ETFs they had previously been listed on the JSE in 2018 and 2019. The stand-out products were the **Satrix Nasdaq 100 ETF**, which attracted R757,9 million new capital for additional listings of this ETF and the newly listed **Satrix MSCI China ETF**, which has raised R708,8 million in capital, since its listing on 22 July 2020.

The **Union Bank of Switzerland (UBS)**, which lends its balance sheet to the issuers of actively managed ETNs, raised a total of R902,1 million new capital from the listing of four new ETNs in 2020, all of these global equity products.

NewWave, the Absa Capital brand for ETNs, raised R436 million new capital in the first three quarters of 2020, mainly from the **NewWave Silver ETN**, which was a beneficiary of the global shift into precious metals during the COVID-19 pandemic.

1invest, the combined brand name for the Standard Bank and Standard Liberty ETFs, raised a positive amount of R205,7 million in new capital. Significant new issues of the **1invest Gold** and **1invest Platinum ETFs**, which are 100% backed physical precious metal ETFs, was offset by a big decline in the number of Palladium ETFs in issue. It would appear that a switch from Palladium to Platinum, by some institutional investors, was the key factor in this redemption of R3 600,8 million for **1invest Palladium ETFs** over this period.

Absa Capital, had a similar problem, with positive issues of R3 426,3 million in the **NewGold ETF** being largely offset by redemptions in the **NewGold Platinum** and **Palladium ETFs**. It would appear that profit-taking and trading activity in these PGM tracking ETFs is now a significant factor.

As stated earlier, the redemptions of maturing ETNs issued by Deutsche Bank and Standard Bank, as the 10-year listing period for these ETNs came to an end, have led to a significant reduction in the capital previously invested in these products.

Snapshot of the SA ETP Industry as at 30 September 2020

Table B

The South African Exchange Traded Product Industry (as at 30 September 2020)						
	Issuer	Number of Products		Value (Market Cap) of Shares in Issue (Rm)		Total Market Capitalisation (Rm)
		ETFs	ETNs	ETFs	ETNs	
1.	Absa Capital	17	5	37 031,5	1 019,8	38 051,3
2.	Sygnia/Itrix	10	-	23 308,4	-	23 308,4
3.	Satrix Managers	20	-	22 859,4	-	22 859,4
4.	Invest	13	-	14 554,6	-	14 554,6
5.	CoreShares	8	-	4 360,0	-	4 360,0
6.	Ashburton	5	-	2 983,6	-	2 983,6
7.	UBS	-	12	-	2 765,3	2 765,3
8.	Investec	-	2	-	1 982,8	1 982,8
9.	Standard Bank	-	4	-	733,4	733,4
10.	FirstRand (RMB)	3	-	-	1 310,9	1 310,9
11.	Cloud Atlas	2	-	19,3	-	19,3
Totals		78	23	106 427,7	6 501,3	112 929,0
Source: etfSA.co.za / JSE / Profile Data (30/9/2020).						

Absa Capital – remains comfortably the dominant issuing house in the South African Exchange Traded Product industry. It has 22 ETFs/ETNs listed with a total of R38,1 billion assets under management (33,7% of the total industry). The commodity-backed ETFs and ETNs listed by Absa Capital, at R33,9 billion, account for 91,4% of all assets under management, so this house is very dependent on the commodity cycle for its business scale.

Sygnia Itrix retains second spot in the issuing house ranking tables, with R23,3 billion total AUM. With its core focus on foreign referenced ETFs, which bring offshore exposure to local investors under the convenience of the “Inward Listing” regulations that only apply to listed securities, Sygnia is very well positioned in the ETP industry.

Satrix Managers remains in third spot, but has made up considerable ground on Sygnia Itrix in recent quarters with new listings of ETFs and its current focus on foreign referenced equity ETFs. With R22,9 billion AUM, Satrix is now just behind Sygnia Itrix.

Invest, with 13 different ETFs in its stable, including commodity, foreign, bond and local equity products, has a broad range of products available and occupies an unchallenged fourth spot in the ETP industry.

Union Bank of Switzerland (UBS) – provides its balance sheet to 9 different asset managers to list actively managed ETNs on the JSE. Most of these are global equity portfolios, but they include World Islamic, Start-Up (Unicorn) and Global Property companies.

Although these are actively managed portfolios, they also target industry benchmarks and are fully structured and compliant Exchange Traded Notes under Section 19 of the Stock Exchange Listing Requirements, so need to be considered as Exchange Traded Products. This genre of ETPs could provide fertile ground for new products to list on the JSE in future.

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 figures – December 2009 to September 2020.
- ETFs & ETNs survey – Securities in Issue and New Capital Raised/Redeemed (for period ended 30 September 2020).

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.

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