

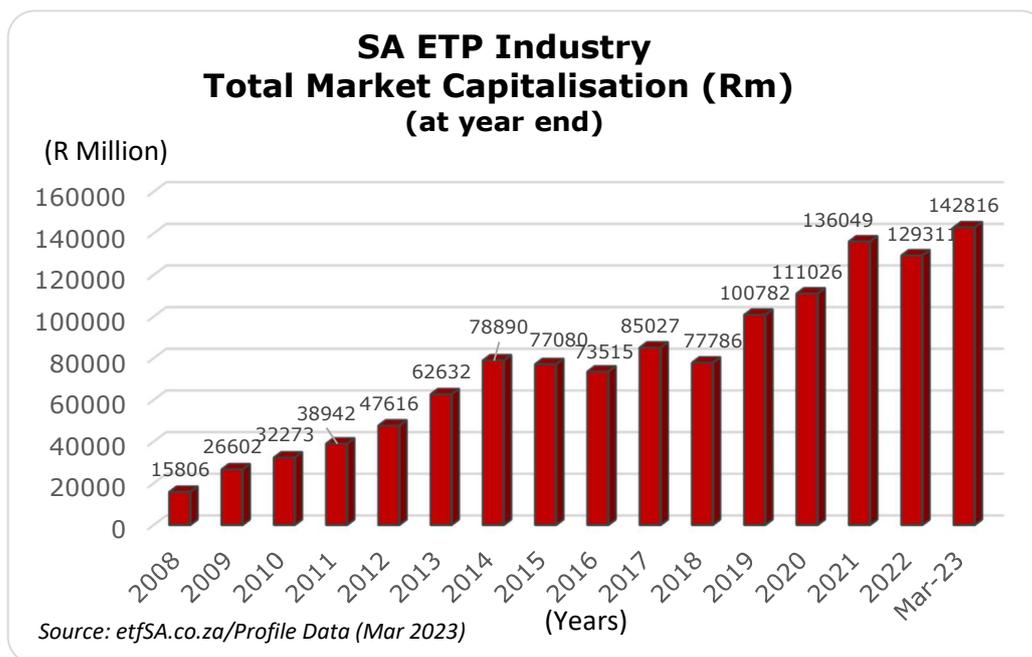
State of the South African Exchange Traded Product (ETP) Industry – as at 31 March 2023

Mike Brown, Managing Director, etfSA.co.za

INDUSTRY OVERVIEW

The total market capitalisation of the ETP products, listed on the JSE (which includes ETFs, ETNs and AMCs) rose to R142,8 billion at the end of the first quarter of 2023. This was an increase of 10,4% on the total market capitalisation of the ETP industry, at the end of 2022.

The strong rise in the total value of the industry was largely due to the good start to 2023 made by many global and local markets. As the net asset value of the underlying assets in listed ETPs have risen, so has the size or market capitalisation of the industry.



TOTAL ETPs IN ISSUE

The total number of ETPs listed on the JSE stayed at the same figure as at the end of 2022, namely 183 products. A breakdown of the categories of ETPs is shown in the table below.

During the quarter, one ETN was delisted, the Reitway Global Property ETN (UBSRETGP) and one new AMC was listed, the Grovepoint US Private Credit AMC (GIMLPC).

Table A

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

NEW CAPITAL RAISED - ISSUING HOUSES

One way to increase the size of the industry is for new capital to be raised by existing ETPs, already listed on the Exchange. Exchange Traded Products are open-ended and further securities can be listed or redeemed at any time. In this way, the work of the market makers and liquidity providers to the market is facilitated by access to the primary issuer of the ETP for the creation of new units, or if significant sales occur, for the delisting of ETP products. Accordingly, the Exchange Traded Products do not trade at a discount or premium to their underlying net asset value, due to excess demand or supply.

Table B

Net New Capital Raised / (Redeemed) - South African ETP Issuing Houses – First Quarter 2023		
Issuing House		Total Capital (R million)
1.	Absa Capital (NewFunds ETFs, NewGold ETFs)	1 250,8
2.	Invest (ETFs)	1 036,0
3.	CoreShares/10X (ETFs)	870,0
4.	FNB (ETFs)	222,6
5.	Union Bank of Switzerland (AMCs)	192,9
6.	Standard Bank (AMCs)	50,0
7.	Absa Capital (NewWave ETNs)	(84,2)
8.	Satrix Managers (ETFs)	(624,6)
9.	Sygnia Itrix (ETFs)	(758,1)
Total		2 155,4
<i>Source: etfSA.co.za Quarterly Securities in Issue and New Capital Raised Survey March 2023).</i>		

A total R2,15 billion new capital was raised in the first 3 months of 2023 by the ETP industry as a whole.

An interesting twist in this period was that the issuers of commodity-linked ETFs, notably NewGold and Invest, experienced positive capital raising inflows during this period. This follows on a number of quarters of delisting of these commodity-linker ETFs. This was due to a strong demand for ETFs, tracking the price of platinum metals. Good news about the future use of platinum as a vital component of hydrogen powered vehicles was the chief cause of this renewed interest in platinum by investors.

By contrast, Satrix and Sygnia Itrix, who have typically raised significant new capital in the past, both experienced net redemptions of securities in this quarter. In both cases, this appears to be related to profit-taking by investors.

CoreShares, which is now owned by 10X, continued to experience solid inflows of new capital particularly into their CoreShares Wealth GOVI ETF, during the first quarter.

Snapshot of the SA ETP Industry as at 30 December 2022

Table C

The South African Exchange Traded Product Industry (as at 31 March 2023)								
	Issuer	Number of Products			Value (Market Cap) of Shares in Issue (Rm)			Total Market Capitalisation (Rm)
		ETFs	ETNs	AMCs	ETFs	ETNs	AMCs	
1.	Satrix Managers	41	-	-	44 951,5	-	-	44 951,5
2.	Sygnia Itrix	15	-	-	35 860,1	-	-	35 860,1
3.	Absa Capital	3	5	-	25 888,2	1 517,1	-	27 405,3
4.	FNB/FirstRand	8	42	-	7 097,6	3 002,2	-	10 099,8
5.	CoreShares/10X	10	-	-	7 965,3	-	-	7 965,3
6.	Invest	16	-	-	7 777,2	-	-	7 777,2
7.	UBS	-	16	19	-	455,2	6 095,9	6 551,1
8.	Standard Bank	-	2	3	-	1 222,5	352,4	1 574,9
9.	Cloud Atlas/Easy Equities	2	-	-	-	-	-	suspended
10.	Investec Capital	-	1	-	-	631,1	-	631,1
Totals		95	66	22	129 539,9	6 828,1	6 448,3	142 816,3

Source: *etfSA.co.za – Market Capitalisation – SA Industry Report (31/03/2023).*

At the end of the first quarter of 2023, there were 10 issuers of Exchange Traded Products in South Africa, with 183 products in issue and a total market capitalisation of R142 816,3 million. Table C provides details of this industry breakdown.

Satrix Managers – had a busy first quarter of 2023. From 1 March, it absorbed most of the ETFs issued by Absa Capital, into the Satrix brand. This arose from the sale of Absa’s asset management and investment administration licenses to Sanlam.

As a fully owned company in the Sanlam Group, Satrix Managers took over the asset management and administration of the NewFunds ETFs. In all, 15 ETFs, with a market capitalisation of R4 632,3 million, as at end of February 2023, were taken into the Satrix fold.

This absorption of the former Absa NewFunds products, gave a strong boost to the market capitalisation of all Satrix ETFs, which grew from R37,7 billion at the end of 2022, to R44,9 billion at the end of March 2023. Not all the growth came from the Absa products, there was also growth in the size of many of Satrix’s other ETF products, mainly because of price increases in these securities.

For the month of March, Satrix was active, redeeming or adding new capital raised in the market for the 15 formerly Absa products, that it now has in its stable. Some replication exists in the indices being tracked by the formerly NewFunds ETFs, for which Satrix already has tracker funds in issue and some consolidation of products, as well as the winding up of some of the smaller NewFunds ETFs might be expected in the months ahead.

Now with 41 ETFs in issue and a market capitalisation some R10 billion higher than the next biggest ETP issuing house, Satrix has compounded its lead in the ETP industry.

Sygnia Itrix – now holds a clear second place in the ETP industry, based on the market capitalisation of its 15 ETFs in issue.

During the quarter, there were some sizeable redemptions of certain of the Sygnia Itrix foreign referenced ETFs, indicating that some large clients had withdrawn their investments in these products.

Absa Capital – despite handing over 15 of their ETFs to Satrix, Absa Capital remains the issuer of the NewGold ETFs that track gold, platinum and palladium metal prices.

The market capitalisation of the NewGold Platinum ETF increased from R6 338,4 billion at the end of 2022 to R7 682,9 billion at 31 March 2023, which included R1 460,6 million raised in the issue of new securities for this ETF. Although the shares in issue for the NewGold ETF, which tracks the gold bullion price, fell in the first quarter, the market capitalisation of this ETF increased by R1 880,8 million, reflecting the rise in the US dollar price of gold, aided by the rand depreciation of some 6% over this period.

There still appears to be plenty of life left in the precious metals ETFs operating by Absa Capital, so it will be interesting to see if this issuer looks to expand its range of ETFs further in the months ahead.

First National Bank – this company issues ETFs and ETNs under the First Rand and FNB brand and, on a consolidated basis is now the biggest issuer of ETPs by number (8 ETFs and 42 ETNs), with a total R10,1 billion market capitalisation.

The single stock ETNs that track the share prices of many of the most tradable shares in the US stockmarkets, both in SA rands as well as US dollars, have found a niche in the market. However, considering the cost advantage they have over other ways of investing offshore and the benefits of the “inward investment” status they enjoy, which means that retail investors do not have to use their foreign exchange allowances, they are probably not as well-known and utilised as they should be.

CoreShares – Since their take-over by 10X, this issuing house has made steady progress and, its CoreShares Wealth GOVI ETF, in particular, has provided popular.

10X, which is effectively owned by the Old Mutual Group, is likely to leverage on its position as a preferred supplier of tracker products to South Africa’s largest asset manager, Old Mutual, and future developments will be watched with interest.

Invest – Similar to NewGold, the precious metal tracking ETFs issued by this House, have attracted some attention. In particular, the 1invest Platinum ETF, increased its market capitalisation by R1 272,7 million during the quarter, reflecting R1 347,7 million new shares issued by the 1invest Platinum ETF over the past 3 months. This anticipating buying of platinum, ahead of expected increases in demand for this metal for use in hydrogen power emission, is a key factor.

Easy Equities/Cloud Atlas – the Cloud Atlas MANCO license has been purchased by Easy Equities, with effect from 7 February 2023.

Easy Equities has advised that it will be taking steps to wind-up the two ETFs that were in issue under the Cloud Atlas brand, namely the Cloud Atlas S&P Sovereign Bond ETF and the Cloud Atlas AMI Big50 ETF.

The assets under management in these two ETFs were very small, around R6,5 million in total, so the illiquidity of these products has made it difficult for trade in them to continue.

It is understood that East Equities will use its new license, as an issuing house, to list a series of actively managed ETFs and the arrival of a new issuer participant in the industry, is a positive development.

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 & AMCs – Market Capitalisation Totals – December 2009 to March 2023.
- ETP survey – Securities in Issue and New Capital Raised/Redeemed (for period ended 31 March 2023).



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