



**Offering a cost effective and
hassle free investment product**

JSE 

EQUITY MARKET

Exchange Traded Funds (ETF)

www.jse.co.za



Johannesburg
Stock Exchange

Whether you are a first time investor who is new to the world of investing or an experienced professional who wishes to manage risk, ETF offer a hassle free and cost effective investment in a broad range of securities. With the laudable growth and popularity of ETF in the USA and Europe, South African investors now also have the opportunity to leverage the broad benefits offered by this exciting product.

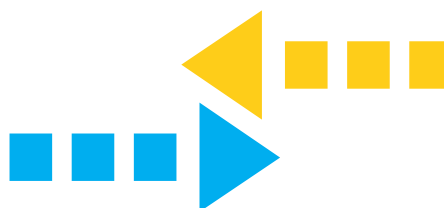
What are ETF?

An ETF is defined as a listed investment product, which tracks the performance of a particular index (e.g. FTSE/JSE Top 40 Index) or “basket” of shares, bonds, money market instruments or a single commodity. These are known as underlying securities or assets.

ETF are traded on an exchange just like an ordinary share and the price of a particular ETF will be determined by the demand and supply of the ETF.

Benefits of investing in ETF

- ▶ **Diversification** – ETF give investors exposure to a wide variety of securities or assets, avoiding the risk of “putting all your eggs in one basket”.
- ▶ **Regulation** – ETF are well regulated by both the Johannesburg Stock Exchange (JSE) and Financial Services Board (FSB). Investors therefore have added protection against unjust treatment.
- ▶ **Cash flow distributions (dividends)** – Even though owning an ETF does not give direct ownership of the underlying securities of the index being tracked, owners of an ETF are still eligible to receive dividends should the securities in the tracking index pay dividends.
- ▶ **Liquidity** – Buying or selling ETF can be done quickly and at a low cost on the JSE.
- ▶ **Tax** – ETF are exempt from Securities Transfer Tax (STT) upon purchase of the ETF.
- ▶ **Hassle free investment** – Investors can gain exposure to a wide variety of securities or assets without having to buy each of the underlying constituents individually, conducting extensive research, nor actively managing the underlying securities.



How to invest in ETF



Through a stockbroker

A JSE authorised stockbroker is a well qualified person who buys and sells securities and offers investment advice to investors. Opening a brokerage account will allow investors to invest in a variety of JSE listed products.



Through ETFSA.co.za

ETFSA.co.za is an internet based information website which makes it easy for investors to transact in ETF via a lump sum or debit order through the ETFSA.co.za Investor Scheme. ETFSA.co.za also offers a commission structure to financial advisors utilising ETFSA.co.za on behalf of clients.



Through an investment plan

Contact an ETF provider to start an investment plan. An investment plan allows an individual investor to easily access the ETF providers via a monthly debit order or a single lump sum investment.



iTransact (www.itransact.co.za)

iTransact is an ETF investment product platform that offers ETF and wealth solutions through accredited financial advisors. These advisors are in a position to provide investors with appropriate financial advice and good service. Through the iTransact platform investors will be able to invest in ETF and ETF wrap funds via a lump sum or debit order.

Some things to consider

- ▶ **Fees** – Besides the price of the ETF itself, there is a once off trading fee for the transaction when the ETF is bought or sold. Should you make use of a stockbroker a monthly maintenance fee is payable. Through an investment plan an annual administration fee will apply.
- ▶ **Share ownership rights** – Owning an ETF does not give the investor the right to vote at Annual General Meetings (AGMs) of the underlying securities, as you own a portion (unit) in the fund and not the underlying securities themselves.
- ▶ **Tax** – Capital gains (profits) from the sale of an ETF are subject to Capital Gains Tax.
- ▶ **Exchange Traded Price** – Bear in mind that the price of an ETF will vary slightly from the Net Asset Value (NAV)¹ of the underlying fund. This difference is attributable to all applicable fees (e.g. management fees) and market forces such as demand and supply.
- ▶ **Market Risk** – ETF prices fluctuate, as do the prices of its underlying securities. However, because of the advantage of diversification, the risk of losing money is lowered.

¹ NAV is the total value of the shares, bonds or commodity that makes up each ETF.

Types of ETF

- ▶ **Equity ETF** – Top 40 Equity, International, Other/general equity.
- ▶ **Bond ETF** – Track the performance of government bonds.
- ▶ **Property ETF** – Track the performance of property shares listed on the JSE.
- ▶ **Commodity ETF** – Track the performance of the spot gold price.
- ▶ **Multi-Asset Class ETF** – Track the performance of shares, nominal bonds, inflation-linked bonds and cash within a single ETF.
- ▶ **Money Market ETF** – Track the performance of short term money market deposit rates.

For additional information contact:

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