



Index Investing

A DIVISION OF
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BANK**

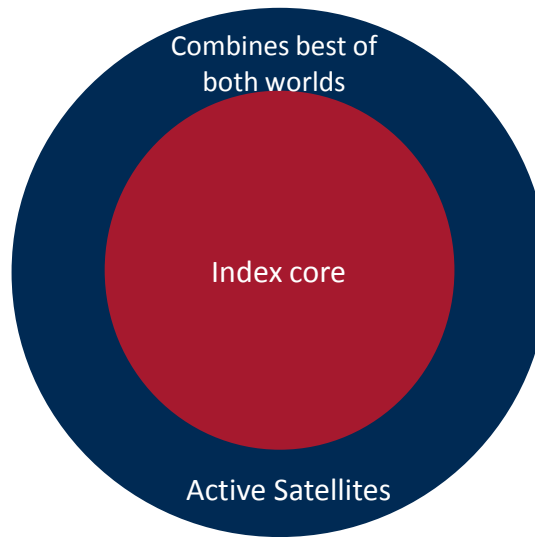


Core and Satellite Approach to Portfolio Construction

Active approach



Core-Satellite approach



Index approach





Index investing: The basic principles



What is an index?

What is Beta?



Costs erode investment return



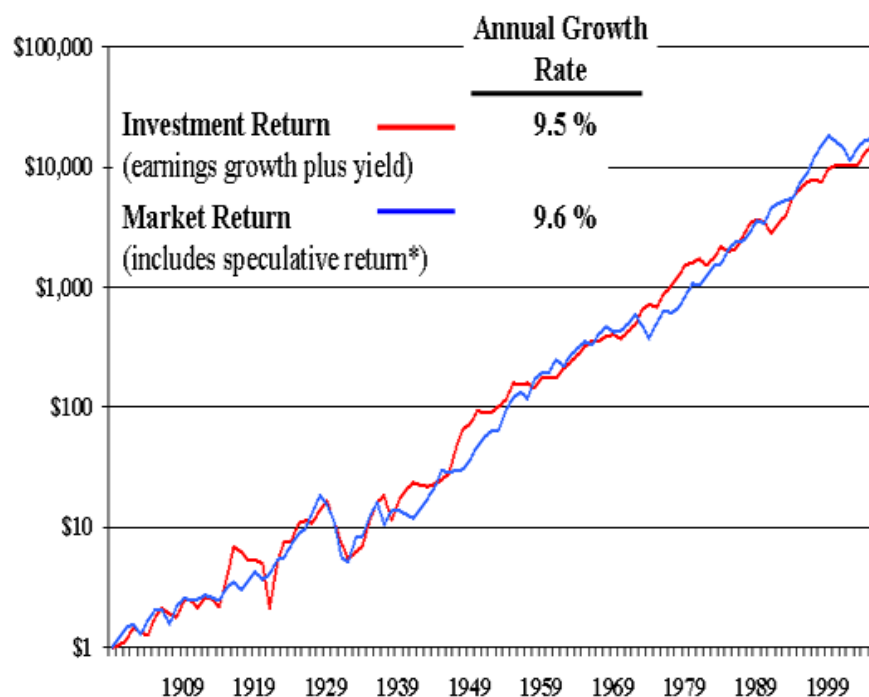
John Bogle

The parable of the Gotrocks...



Investment Return Versus Market Return

Investment Return Versus Market Return
Growth of \$1: 1900 - 2005

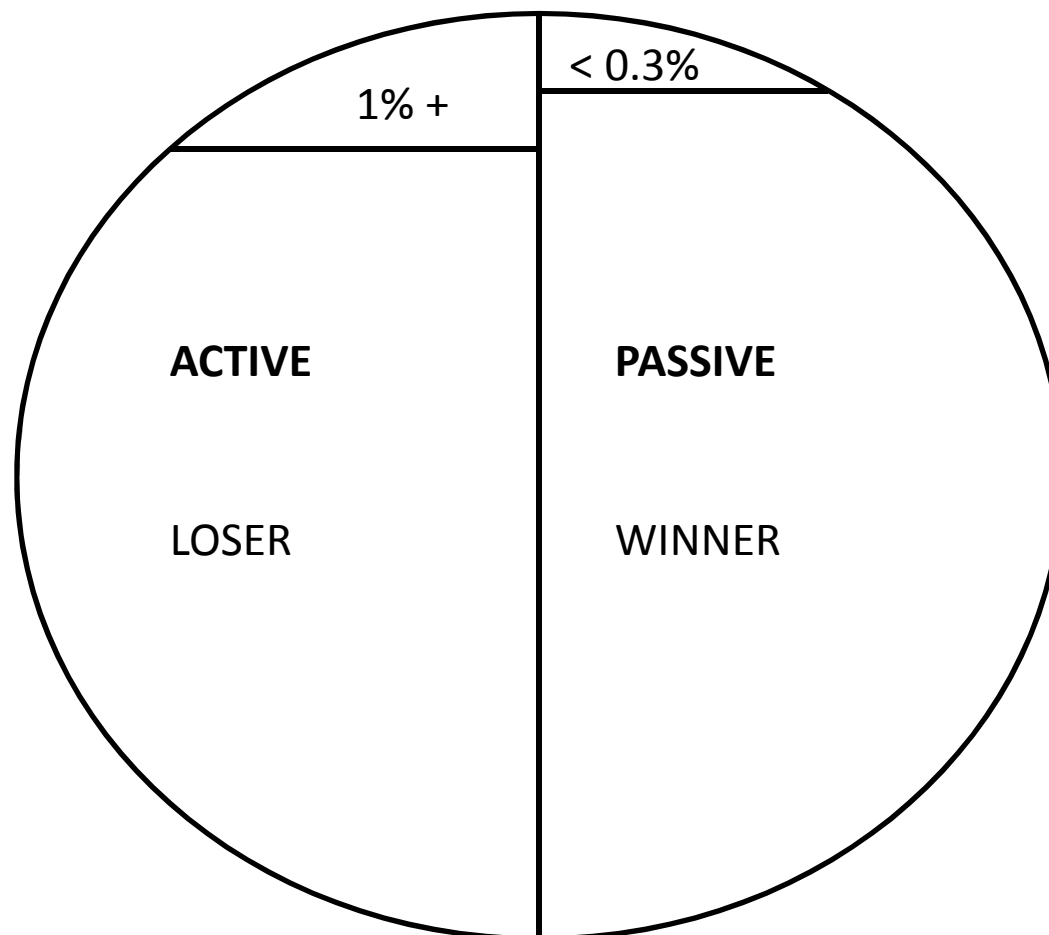


*Impact of change in price-earnings ratio

Source: John Bogle's Keynote Speech – The Money Show - What's Ahead for Stocks and Bonds - And How to Earn Your Fair Share, May 15, 2006



Weighted Average Return of the Market for Any Given Period





Markets are Efficient...?



(Photo by Dan Dry)

Efficient market hypothesis

Eugene Fama, noble prize winner in Economics

○ ● ● The CoreShares Top50



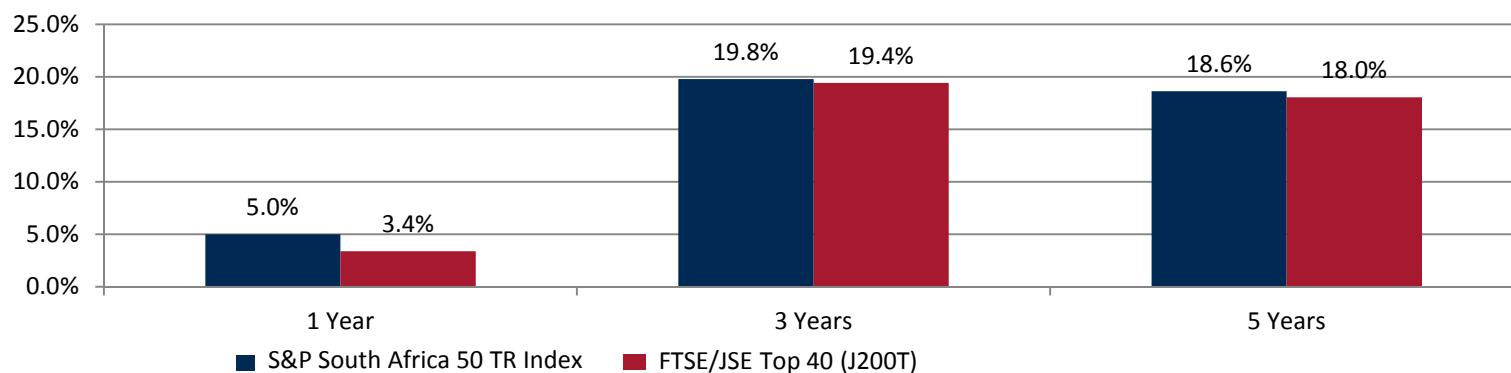
CoreShares Top50 Overview

Description	Measures the performance of the 50 largest companies by float-adjusted market capitalisation
No. of Constituents	52
Liquidity	Average daily value traded of at least R50m for the 3months prior to rebalancing reference date
Buffer Rule	Current constituents remain in the index if they are ranked among the top 55 companies
Weighting Method	Modified market capitalisation, where no single company weighs more than 10% of the index at each rebalancing
Rebalancing Frequency	Quarterly
ETF Launch Date	13 May 2015 Ticker: CTOP50
Fee	0.2% (ex Vat)

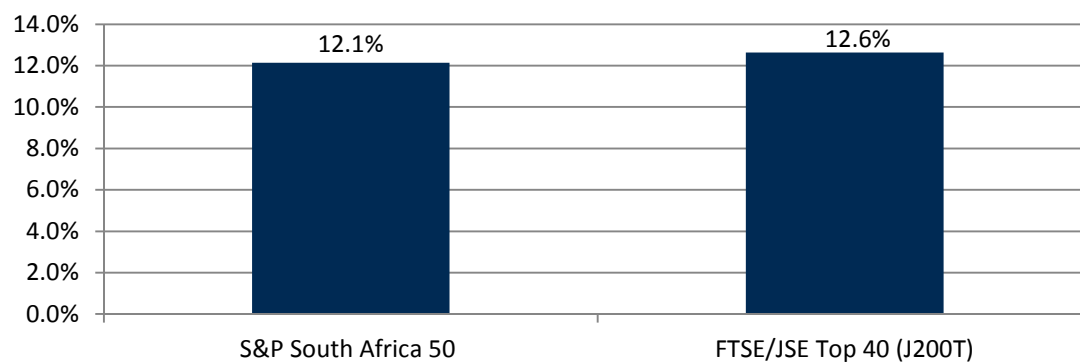


S&P South Africa 50 Index Historic Performance

Historic performance period ending 30 June 2015⁽¹⁾



Annual Standard Deviation⁽²⁾



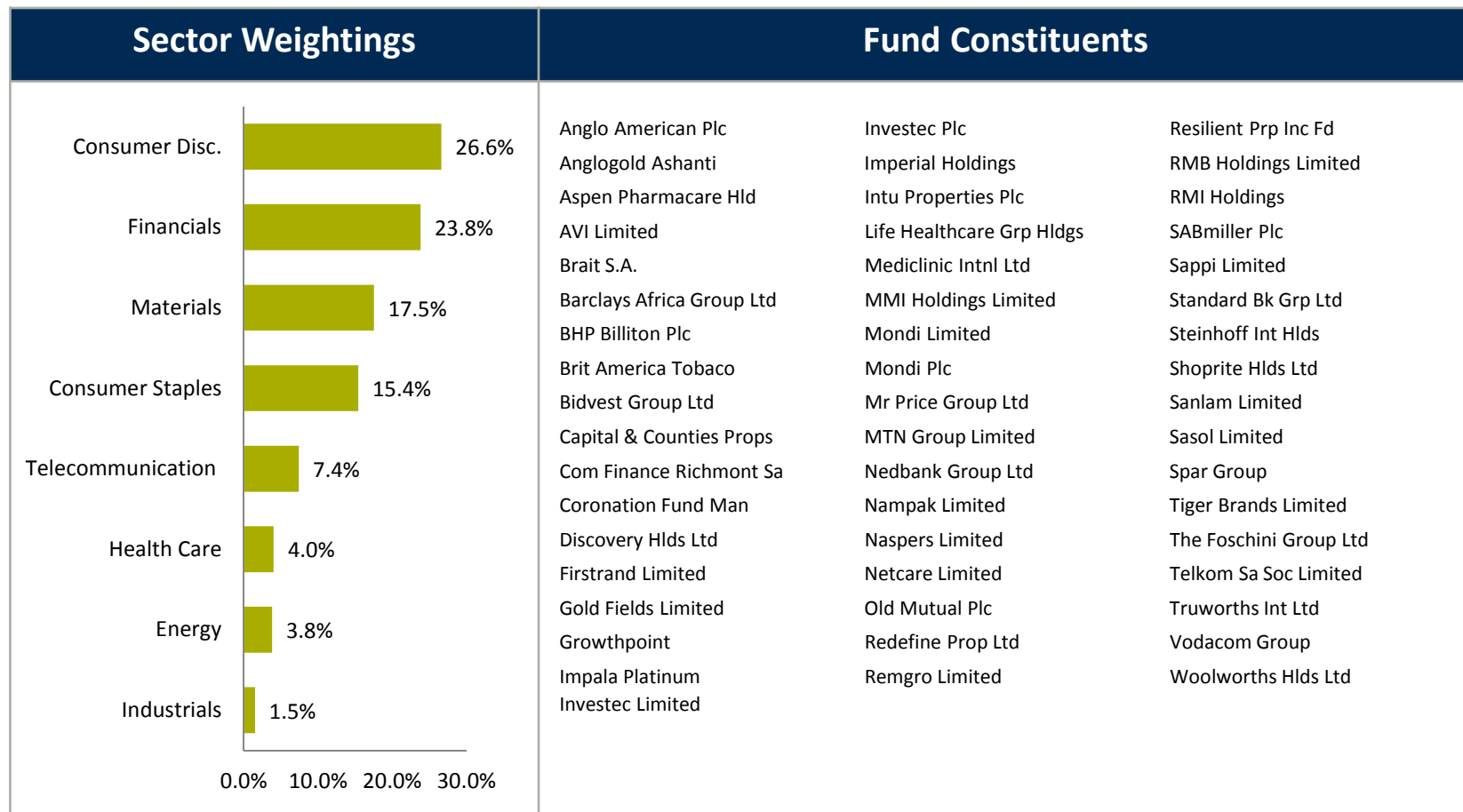
Source: I-Net and S&P as at June

(1) Past performance is not an indication of future performance. Index performance is not an indication of ETF performance.

(2) Calculated over a 5 year period ending 30 June 2015



S&P South Africa 50 Index, Sector Composition and Constituents







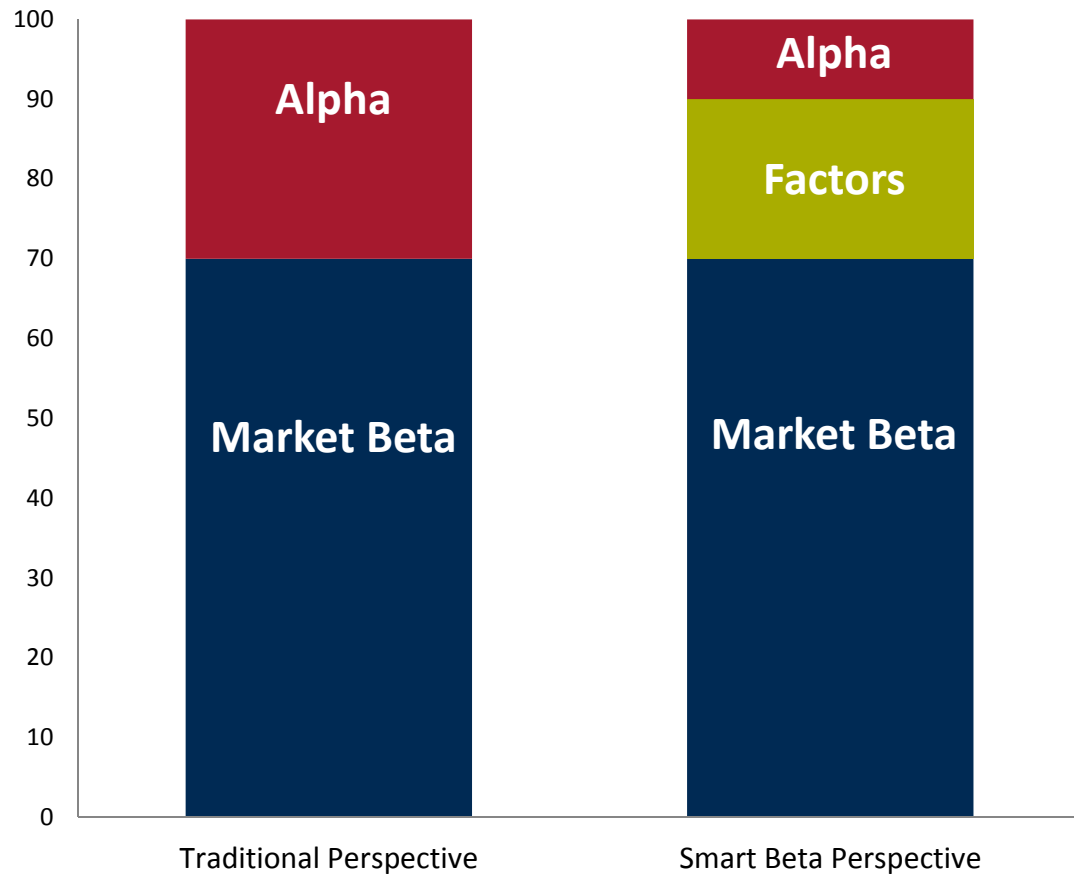
**What if we use other variables
(other than size) to construct
and index?**



What Really Drives Returns?

Breaking down the drivers of return

- **Risk Factors / Risk Premia / Alternative Betas** are all ways of describing the underlying building blocks of returns, which can be accessed using rules based or systematic techniques



Source: Goldman Sachs
For illustrative purposes only



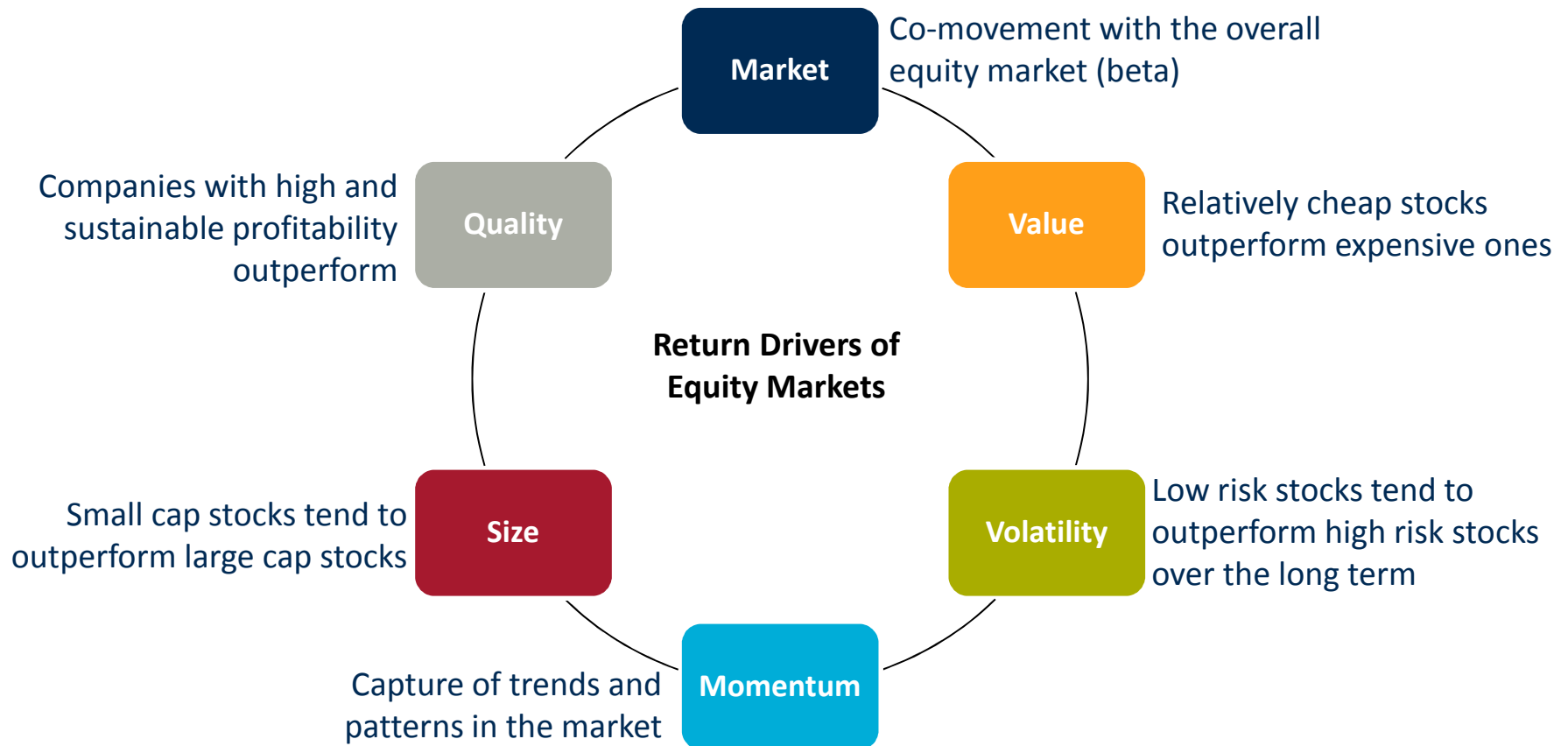
Why Has Smart Beta Investing Attracted so Much Attention

Smart beta investing appeals to investors seeking:

- ✓ Deeper diversification
- ✓ Improvements in portfolio risk-adjusted returns
- ✓ To implement views and timing across exposures/factors/risk premia
- ✓ Customised solutions built around existing portfolios
- ✓ Transparency and liquidity
- ✓ Cost efficiency



Equities Allocation



Source: Goldman Sachs
For illustrative purposes only



CoreShares Equity Smart Beta Range



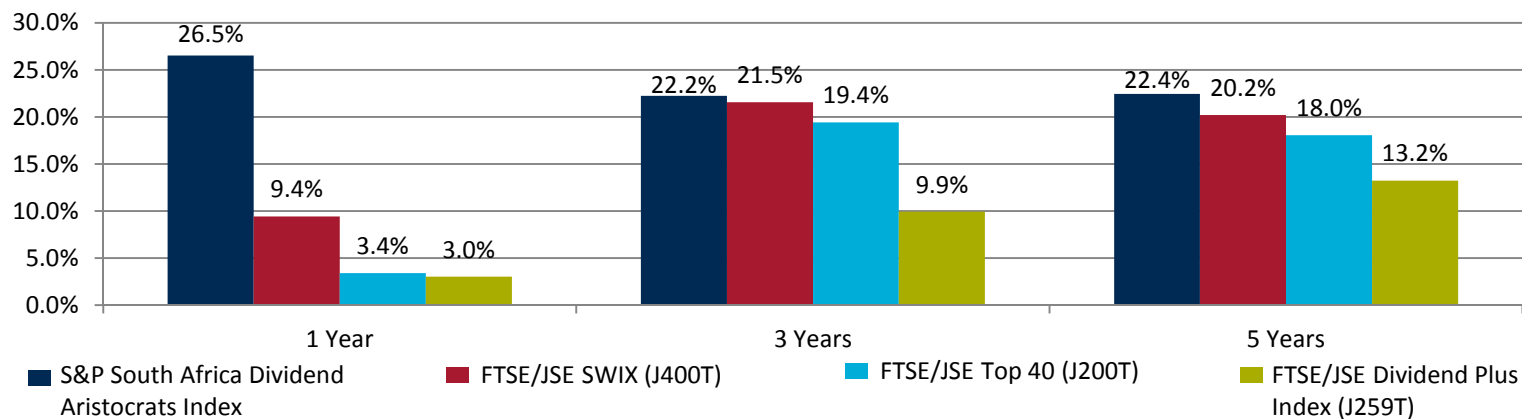
CoreShares Divtrax Overview

Description	Measures performance of constituents that have increased or maintained stable dividends for the last 5 consecutive years
Index Benchmark	S&P South Africa Dividend Aristocrats Index
No. of Constituents	26
TER	0.38%
Liquidity	Average daily value traded of at least R5m for the 3months prior to rebalancing reference date ⁽¹⁾
Diversification	Minimum no. of constituents: 20 Property stocks excluded from index
Weighting Method	Equal weighted with constituents re-weighted every quarter
Rebalancing Frequency	Annually in July
ETF Launch Date	14 April 2014 Ticker: DIVTRX

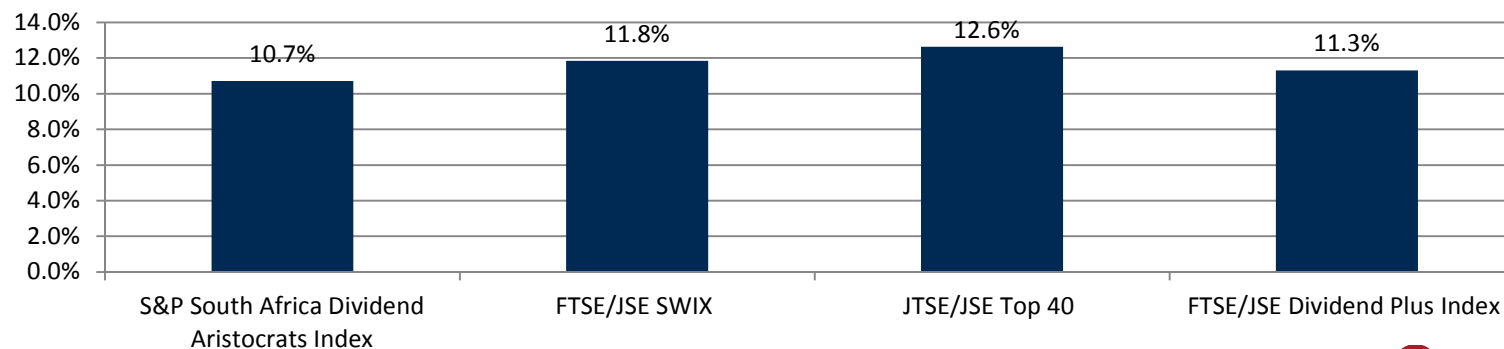


S&P Dividend Aristocrats Index Historic Performance

Historic performance period ending 30 June 2015⁽¹⁾



Annual Standard Deviation⁽²⁾



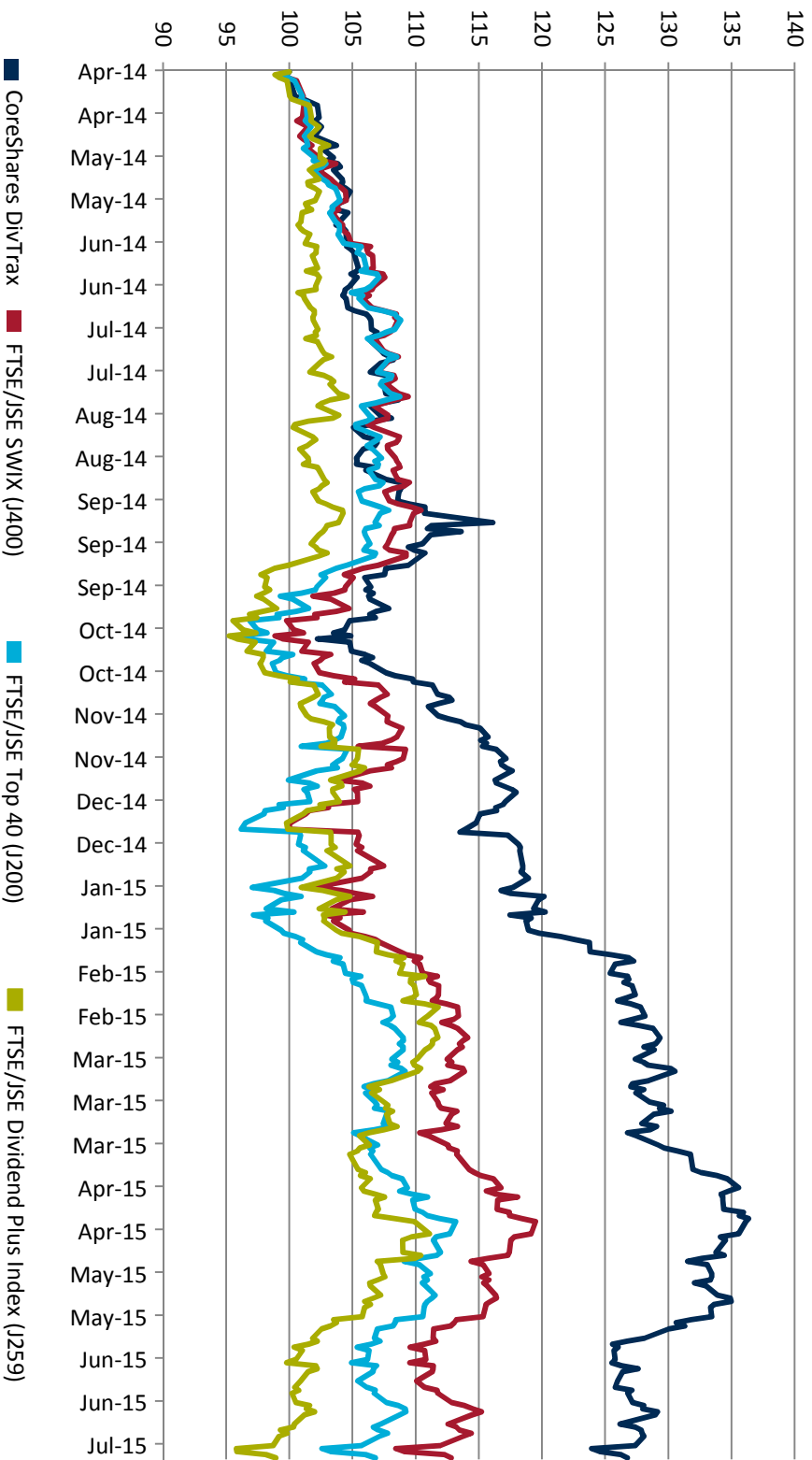
Source: I-Net and S&P as at June

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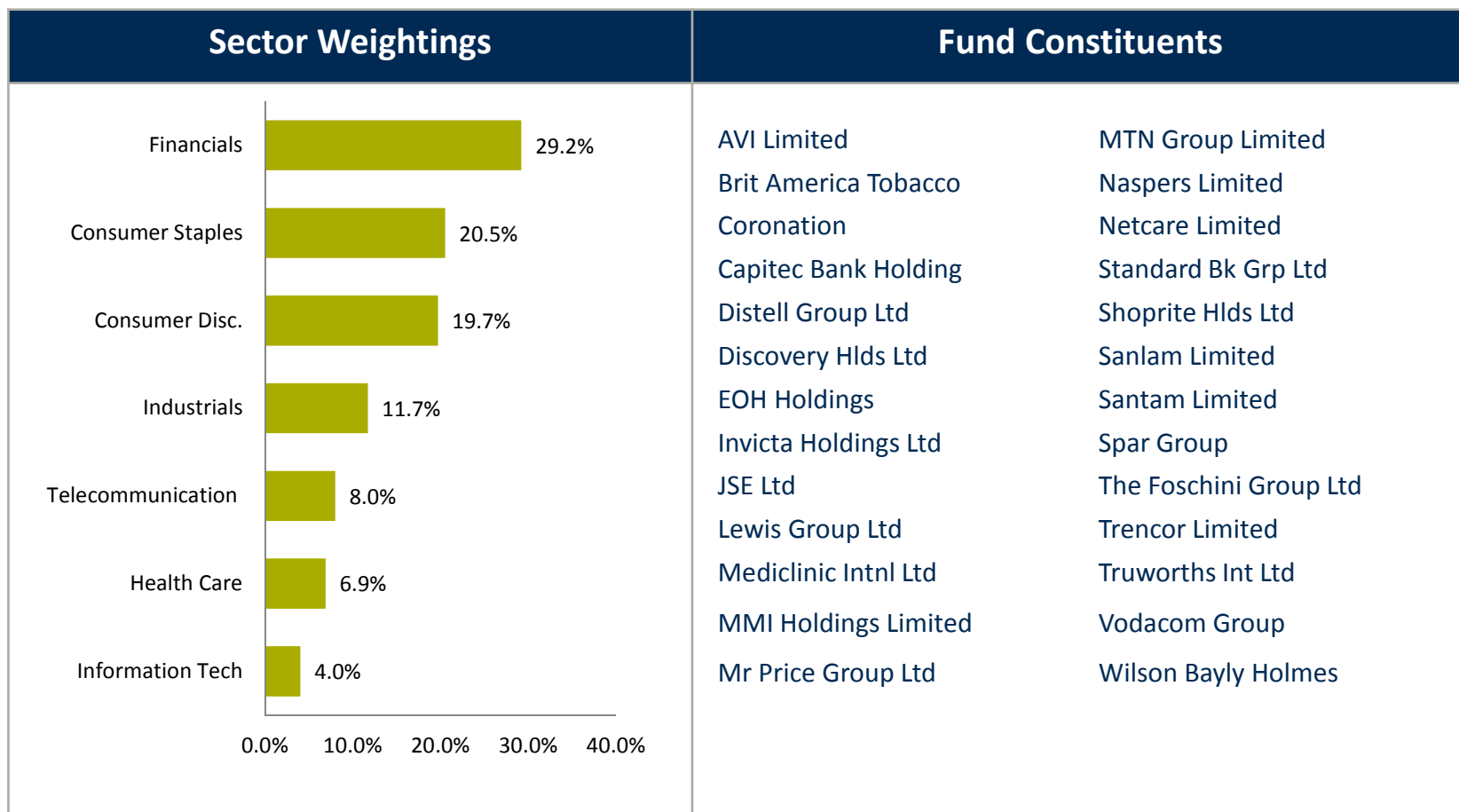
CoreShares Divtrax Historic Performance



Source: I-Net July 2015



CoreShares Divtrax Sector Composition and Constituents



Source: S&P



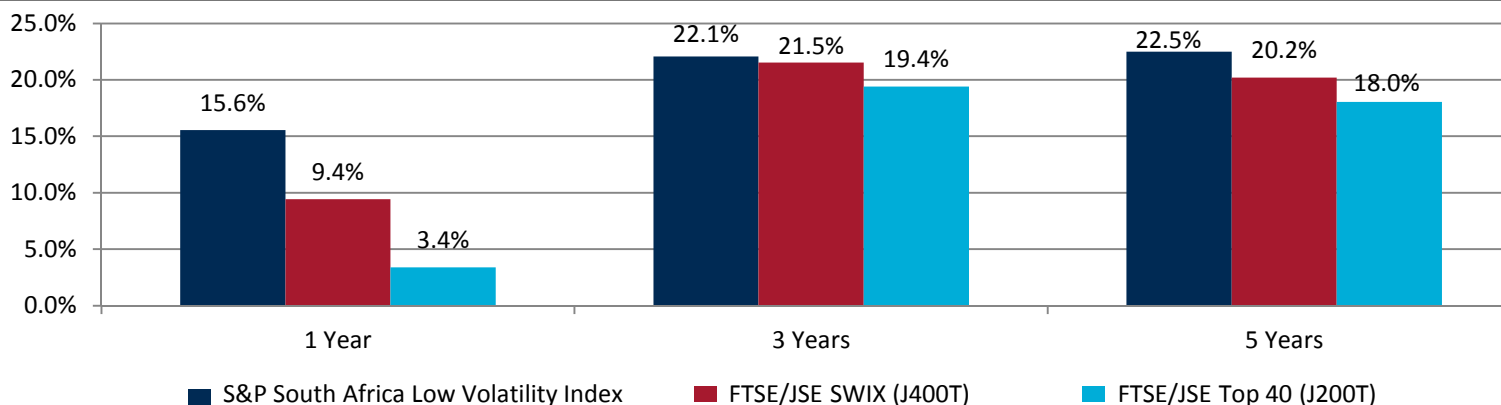
CoreShares LowVoltrax Overview

Description	Measures the performance of the least volatile stocks where volatility is defined as the standard deviation of the security's daily price returns over the prior year
Index Benchmark	S&P South Africa Low Volatility Index
No. of Constituents	40
TER	0.40%
Liquidity	Average daily value traded of at least R10m for the 3months prior to rebalancing reference date ⁽¹⁾
Weighting Method	Constituents are weighted relative to the inverse of their volatility, with the least volatile stocks receiving the highest weights
Rebalancing Frequency	Quarterly
ETF Launch Date	14 April 2014 Ticker: LVLTRX

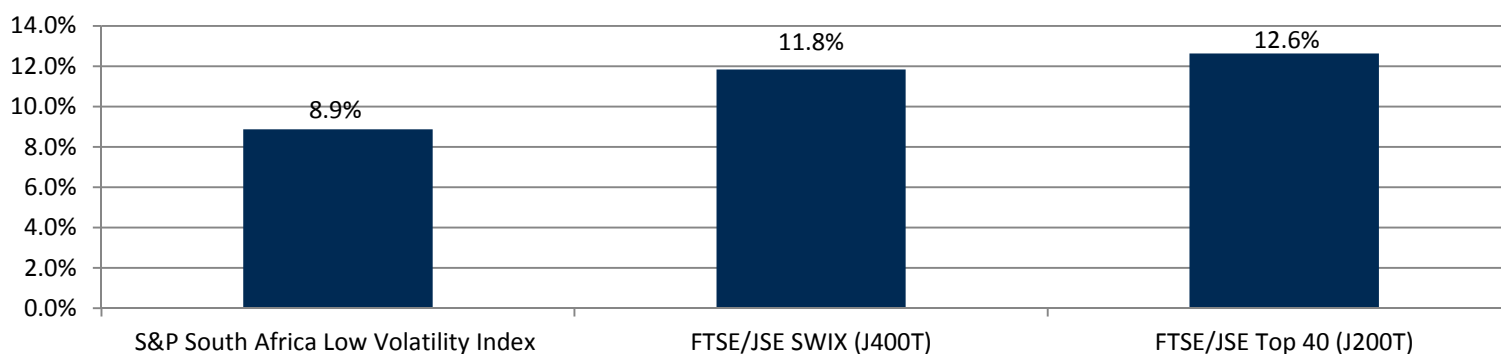


S&P Low Volatility Index Historic Performance

Historic performance period ending 30 June 2015⁽¹⁾



Annual Standard Deviation⁽²⁾



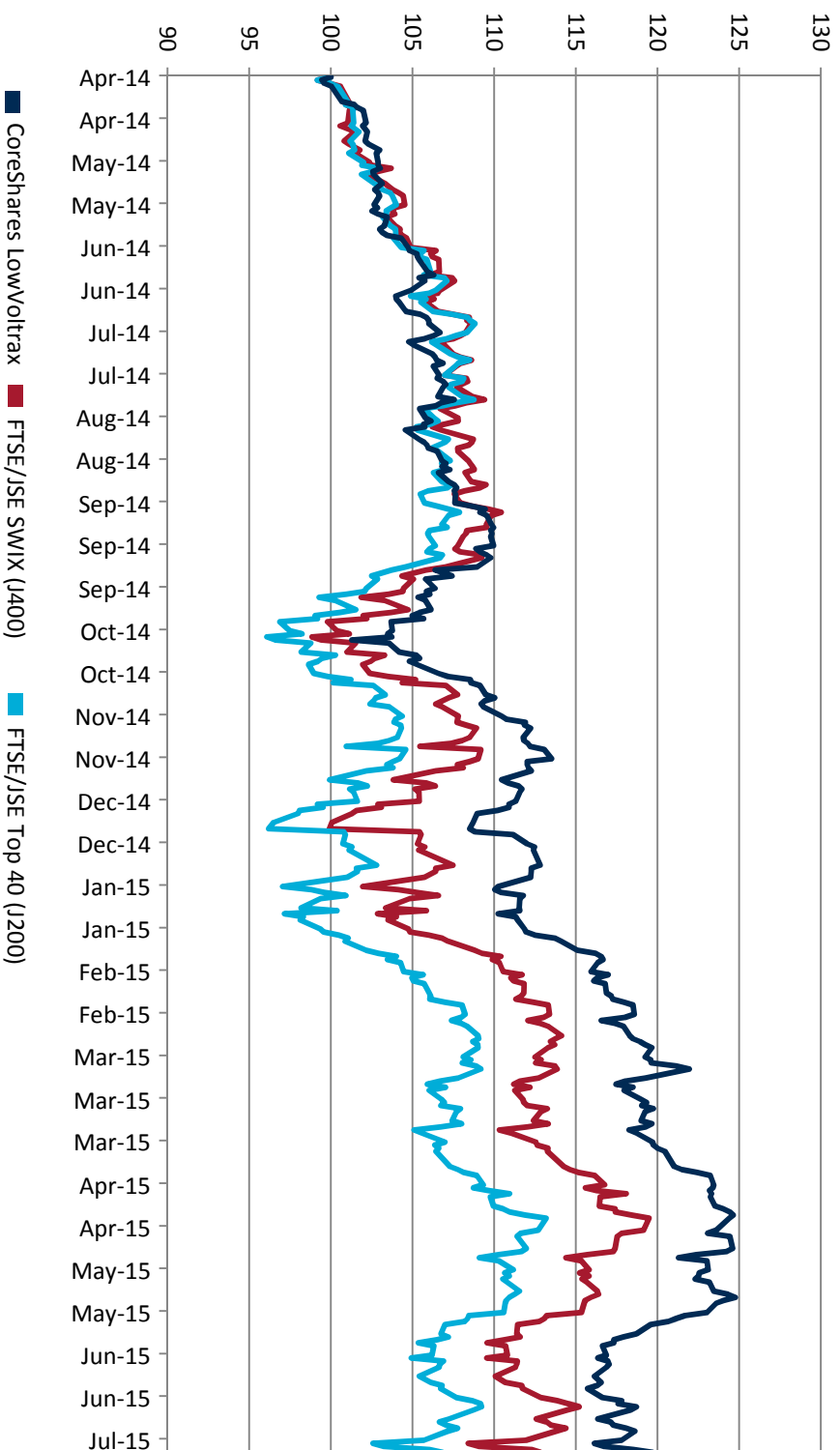
Source: I-Net and S&P as at June

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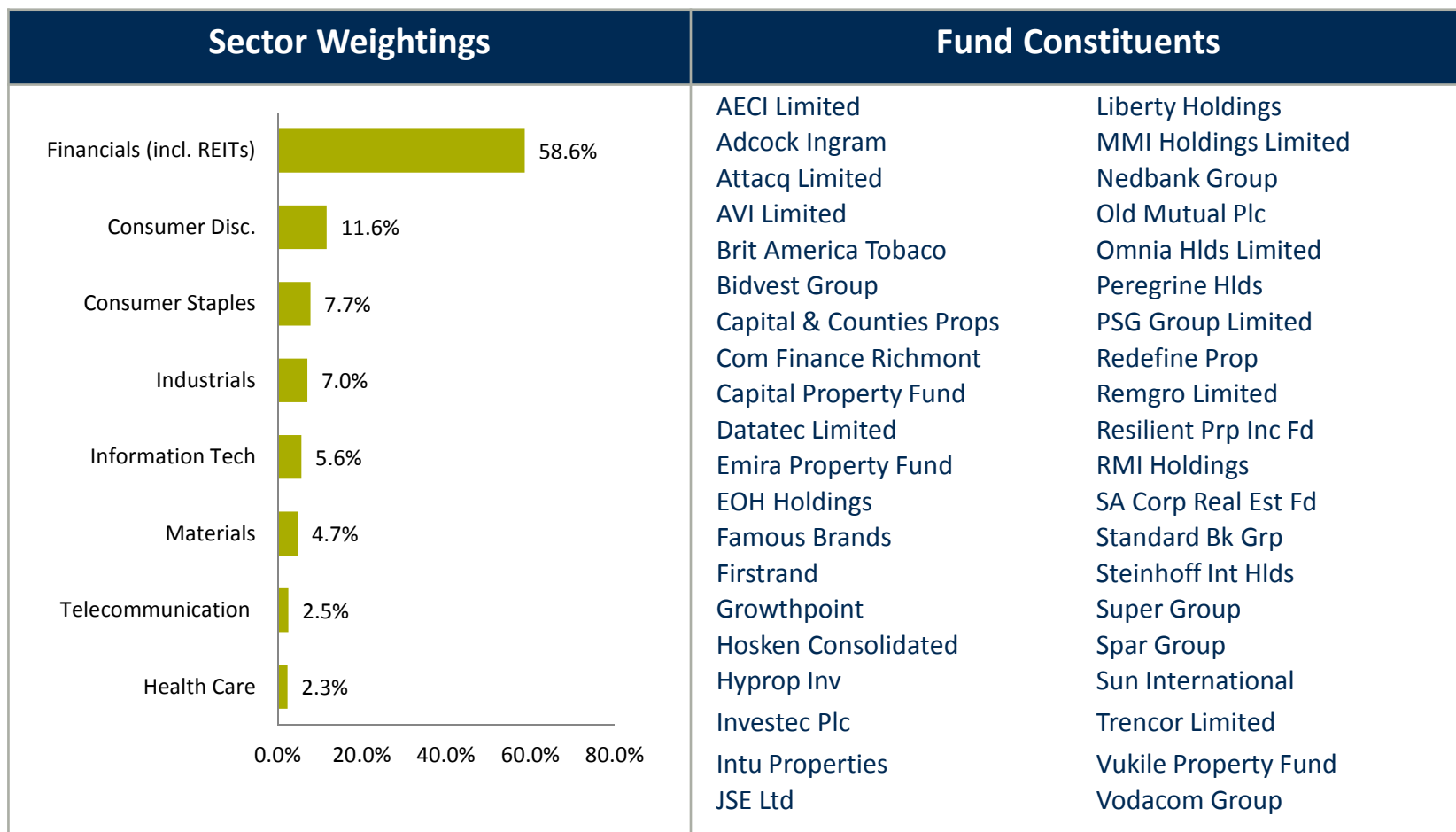
CoreShares LowVoltrax Historic Performance



Source: I-Net July 2015



CoreShares LowVoltrax Sector Composition and Constituents



Source: S&P



Thank you - questions?



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