

State of the South African Exchange Traded Product (ETP) Industry

As at 30 September 2024

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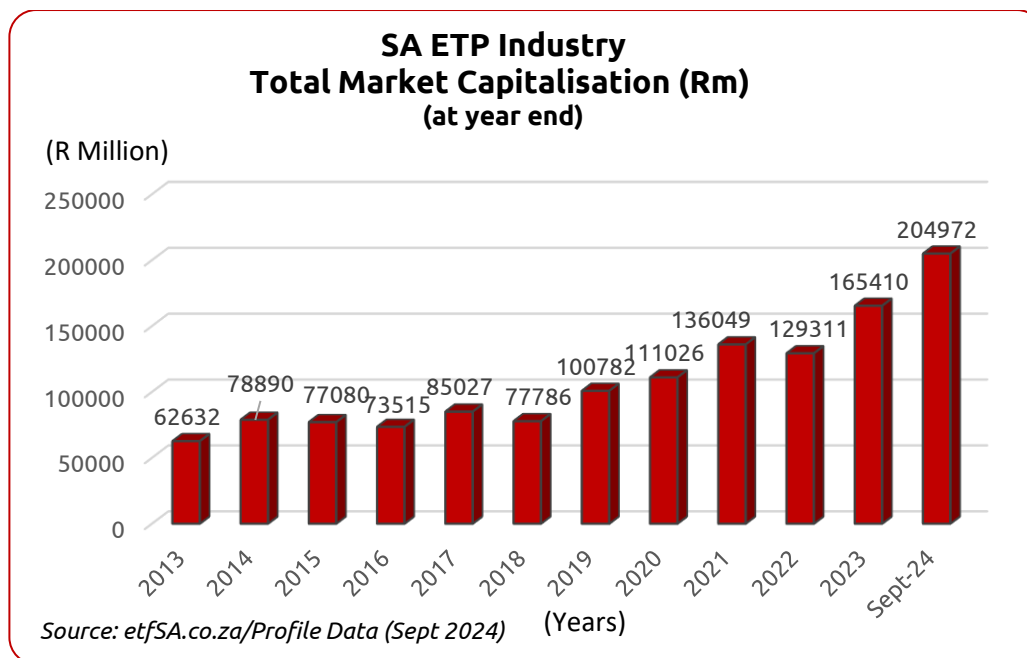
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1. Industry Overview

The total market capitalisation of the entire ETP industry amounted to R204,97 billion at the end of September 2024.

This amounts to an increase of 24% on the R165,4 billion market capitalisation at the end of 2023.



The growth in the industry arose from R24,1 billion in capital raised from the listing of additional ETP securities on the JSE during the first 9 months of the year, as well as the rise in market values to date this year.

2. Number of ETPs in Issue

Table A

Number of Exchange Traded Products in Issue (end of period)						
	2019	2020	2021	2022	2023	Sept 2024
Exchange Traded Funds (ETFs)	73	78	86	95	92	90
Exchange Traded Notes (ETNs)	29	59	82	66	69	77
Actively Managed Certificates (AMCs)	-	-	-	22	44	50
Actively Managed ETFs (AMETFs)	-	-	-	-	6	18
Totals	102	137	168	183	211	235
<i>Source: etfSA.co.za (Sept 2024).</i>						

The key activity in new listings has been with actively managed Exchange Traded Products. The number of AMCs (Actively Managed Certificates), rising from 44 to 50 and the number of actively managed ETFs (AMETFs), growing from 6 at the end of 2023, to 18 products listed on the JSE at the end of September 2024.

This avenue, available to third party asset managers to list their portfolios, as “white label” structures on the JSE, is becoming increasingly popular.

An Actively Managed ETP listing on the JSE enables the securities to be traded on the secondary market, which opens up a greater distribution universe, plus the STRATE settlement, electronic registration, centralised custodianship and JSE guarantee fund, all provide a seamless support system, which is hard to replicate with unlisted over-the-counter products.

As the universe of actively managed ETPs expands one would expect to see a variance in pricing too, from highly active / unique exposures which may be more expensive through to products that are still largely indexed or rules based offering more competitive pricing. Overall having the transfer agency services centralised on Strate brings clear cost savings to issuers and investors.

3. New Capital Raised

A total of R24,1 billion new capital was raised by ETP issuers in the first three quarters of 2024. Such capital can come from new listings, or alternatively, the creation or redemption of securities for ETPs already in issue on the stockmarket.

Exchange Traded Products are open ended, so securities can be listed or redeemed on the JSE at any time, should the demand or supply of ETPs in the market, threaten to move the price of the units away from their underlying NAVs.

The new capital raised, per type of ETP, for the first three quarters of 2024, is shown below.

Table B

New Capital Raised – December 2023 to September 2024 (Rm)	
Exchange Traded Funds (ETFs)	18 914,7
Actively Managed Exchange Traded Funds (AMETFs)	1 317,3
Exchange Traded Notes (ETNs)	918,4
Actively Managed Certificates (AMCs)	2 925,3
Total	24 075,7
<i>Source: etfSA.co.za/Profile Data (Sept 2024).</i>	

There was a strong increase in new capital raised between the half year (R10 440,6 million) and the third quarter (an increase of 130%). This is largely attributed to new actively managed products listed during the past three months.

Table C below indicates the capital raised by JSE main ETP issuing houses for the full 9 months of 2024.

Table C

Net New Capital Raised / (Redeemed) - South African ETP Issuing Houses				
First Nine Months of 2024				
Issuing House - Raised		(R million)	Issuing House - Redeemed	(R million)
1.	Satrix Managers (ETFs)	7 047,8	Sygnia Itrix (ETFs)	(527,4)
2.	1Invest (Standard Bank) (ETFs)	5 489,2	FirstRand (ETFs)	(39,3)
3.	Absa Capital (ETFs)	4 659,5		
4.	Union Bank of Switzerland (AMCs)	2 425,3		
5.	10X (ETFs)	1 673,8		
6.	Prescient Capital (AMETFs)	1 235,7		
<i>Source: etfSA.co.za Quarterly Securities in Issue and New Capital Raised Survey (Sept 2024).</i>				

The individual ETPs that were the most successful in raising new capital from securities issued on the JSE over the first three quarters of 2024 are shown in table D below.

Table D

Individual ETFs – New Capital Raised – Jan - Sept 2024	
Issuing House - Raised	(R million)
1invest SWIX Top 40 ETF	2 970,9
NewGold ETF	5 260,2
Satrix MSCI World ETF	2 604,1
Satrix S&P 500 ETF	1 643,2
1invest Gold ETF	1 372,4
Satrix Nasdaq 100 ETF	1 131,1
Nedbank Private Wealth AMC	1 000,0
Sygnia Itrix S&P 500 ETF	889,1
10X Global Dividend Aristocrats ETF	799,1

Source: etfSA.co.za Quarterly Securities in Issue and New Capital Raised Survey (Sept 2024).

The pattern that emerges for the products that were the most successful in boosting their shares in issue to date in 2024, are:

- ETFs tracking the **physical price of gold**, issued by Absa Capital (NewGold) and 1invest (1invest Gold), benefitted from the rise in the US dollar gold price, from US\$2 050 at the end of 2023, to US\$2 630 at the end of September 2024.

Boosted by central bank purchases of gold as a diversification asset for official reserves, plus the hedge qualities of gold in times of political turmoil, investing in gold has been a profitable strategy in recent times.

- ETFs that track the major **global equity indices** such as MSCI World and S&P 500 as well as technology rich indices have seen a strong demand from local investors.

4. Snapshot of the SA ETP Industry as at 30 September 2024

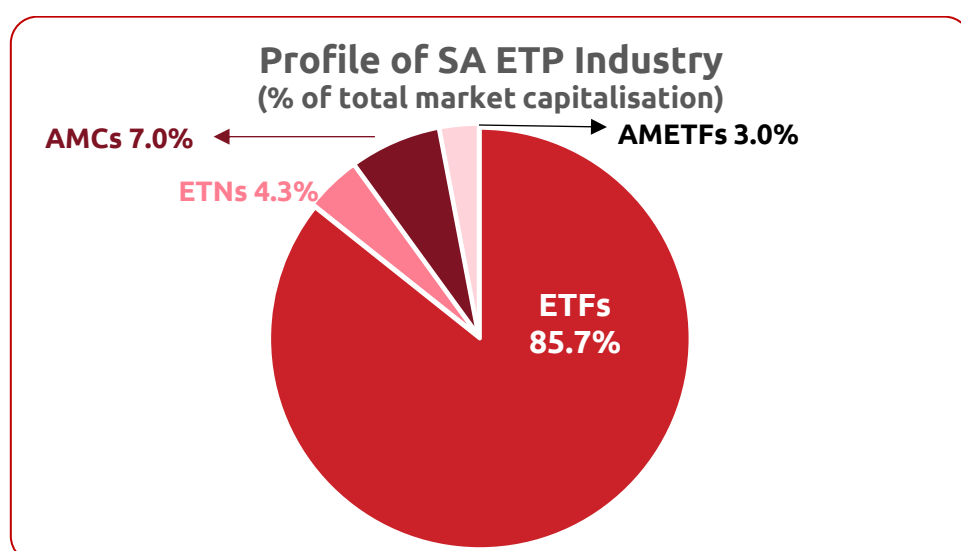
Table E

The South African Exchange Traded Product Industry (as at 30 September 2024)										
	Issuer	Number of Products				Value (Market Cap) of Shares in Issue (Rm)				Total Market Capitalisation (Rm)
		ETFs	ETNs	AMCs	AMETFs	ETFs	ETNs	AMCs	AMETFs	
1.	Satrix Managers	36	-	-	-	64 838,2		-	-	64 838,2
2.	Sygnia Itrix	11	-	-	3	40 580,3		-	3 053,0	43 633,3
3.	Absa Capital	3	5	1	-	32 462,0	1 609,6	55,0	-	34 126,6
4.	10X	10	-	-	2	13 957,1	-	-	1 534,9	15 492,0
5.	FNB/FirstRand	11	48	-	-	9 359,2	5 202,1	-	-	14 561,3
6.	1invest	16	-	-	-	14 242,1	-	-	-	14 242,1
7.	UBS	-	22	36	-	-	708,2	12 279,9	-	12 988,1
8.	Standard Bank	-	2	13	-	-	1 305,6	2 032,4	-	3 338,0
9.	Prescient Management	3		-	11	196,4	-	-	1 315,3	1 511,7
10.	27Four				1				241,6	241,6
Totals		90	77	50	18	175 635,3	8 825,5	14 363,3	6 144,8	204 972,9

Source: *etfSA.co.za – Market Capitalisation – SA Industry Report (Sept 2024).*

Table E above provides a “one look” view of the entire SA Exchange Traded Product industry.

The pie chart alongside shows that Exchange Traded Funds (ETFs) are still the prominent tracker products in South Africa, but the actively managed products (AMCs and AMETFs) have now overtaken Exchange Traded Notes (ETNs) in size.



5. Update on Issuing Houses

5.1 Satrix Managers

Satrix remains the dominant player in the South African ETF industry, with a total market capitalisation of R64,8 billion for the 36 ETFs it has in issue. Satrix products account for one-third of the size of the local ETP industry.

It has extended the lead it has over the other issuers in 2024 mainly through strong demand for its tracker ETFs giving exposure to the global equity indices, such as MSCI World, S&P 500, Nasdaq and ACWI indices.

Satrix has issued two new ETFs to date in 2024, both of which have been successful. The **JSE Global Equity ETF** (R548,9 million cap), which tracks the JSE listed companies with the highest exposure to global earnings, whilst the **Satrix ACWI ETF** (All World index, including emerging markets), has grown to a market capitalisation of R349,2 million, since its listing early in the year. The **Satrix MSCI India ETF** (R866,5 million cap, with R460,2 million being new securities issued this year), has also been popular with investors.

The large range of local indices tracked by Satrix ETFs should bode well for the Issuer should the improved sentiment in SA markets continue.

5.2 Absa Capital

The continued strength in the gold bullion price, although dampened a little by the strong rand, has attracted many investors to the NewGold ETF issued by Absa. The total market capitalisation of this ETF has risen from R15 667 million in September 2023, to R25 696,7 million at the end of September 2024. NewGold is once again, by some distance, the biggest single ETF in the South African market.

Absa also issued its first actively managed certificate, the **Absa ABAM1 AMC** which currently has a small market capitalisation of R5 million, but could be the first of a number of products utilising the Absa balance sheet.

5.3 1invest

1invest, the ETF Issuer representing the broader Standard Bank group (including: Stanlib, and the Standard Bank), has made steady progress and is now the 6th largest issuing house, measured by market capitalisation figures.

It has secured a large investor, possibly from within the Group, for its **1invest SWIX Top 40 ETF**, which now has a market capitalisation of close to R5 billion and recorded just under R3 billion in a single new issue of securities in mid-2024. 1invest is also currently involved with a ballot process amongst investors to switch the index tracked from the FTSE/JSE SWIX 40 index to the FTSE/JSE Capped SWIX All Share index. This will also include a consolidation process, as the price level of the new index requires reducing the number of units held by each shareholder. The value of the units will simultaneously rise to leave the investors with the same portfolio value for their investment. The consolidation process will be completed by 30 October 2024.

5.4 Prescient Management Company

Prescient has developed a white label ETF 'platform' for the listing of ETPs on the JSE, focussing, at this stage, on actively managed ETFs (AMETFs). The Prescient platform also provides administration, sponsoring, market-making and capital raising services to the issuers of AMETFs utilising the platform. Six asset managers have already started using this Prescient platform facility and it is likely that further issuers are in the queue on the Prescient platform.

Two particularly interesting asset managers, listing their own branded ETFs for the first time, are Coronation Asset Managers and ETFSA Portfolio Management Company.

Coronation have listed seven different **global funds**, replicating strategies which they also manage in unit trust form. These have now been made available in AMETF form. The blanket foreign exchange approval for inward listing of global feeder and other funds, provided they are listed on the JSE, is likely a key attraction for Coronation.

ETFSA, which previously only used ETFs issued by other companies in constructing its portfolios for use for wealth management, retirement funds, annuities and tax-free accounts, using only ETPs, has now issued its first AMETF. The **ETFSA Balanced Foundation Prescient AMETF (ETFSAB)**, covers new ground in being the first balanced portfolio to be listed on the JSE, which strictly adheres to the Regulation 28 exposure limits of the Pension Funds Act 1956. The fund has a weighting across all major asset classes including offshore.

5.5 Union Bank of Switzerland (UBS)

Since UBS launched a programme of issuing Portfolio Notes in 2018, it has become an important role player in the local ETP landscape. Originally these index tracker notes were issued as ETNs, but following the introduction of the actively managed ETP JSE Rules in late 2023, UBS has converted all these and subsequent products, to Actively Managed Certificates (AMCs).

UBS now has 36 AMCs in issue, with 23 different asset managers responsible for the portfolio management of these products.

UBS also continues to issue purely index tracking ETPs, which cover a number of global indices, most focussed on specific investment themes or styles.

5.6 27Four Collective Investments

27Four has broadened its capabilities and launched its own range of actively managed ETFs. It has, to date, issued two AMETFs focusing on large cap SA equities and on a multi-factor SA equity portfolio. Further AMETF securities are apparently on the way.

Note: full details for each Exchange Traded Product is available on the quarterly reports available on the ETFSA website: www.etfsa.co.za:

- All South African ETFs, ETNs & AMCs – Market Capitalisation Totals – December 2013 to September 2024.
 - ETP survey – Securities in Issue and New Capital Raised/Redeemed (for period ended 30 September 2024).
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