



NewFunds S&P GIMI SA Exchange Traded Funds

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Exchange Traded Funds (ETFs)

ETFs are open-ended, listed investment vehicles, enabling investors to gain diversified exposure to entire stock markets, specific market sectors, different asset classes or various investment themes by purchasing a single security listed on a stock exchange such as the JSE.

ETFs are:

- **Fast and efficient** - giving investors real-time access to markets
- **Convenient** - purchase of a single security gives exposure to the whole market or market segment
- **Transparent** - the underlying investments are fully disclosed on a daily basis; the investment/index methodology is published and easily replicable
- **Safe** - ETFs are mainly structured as Collective Investment Scheme portfolios and are fully regulated by the Financial Services Board (FSB) and the Collective Investment Schemes Control Act (CISCA), 2002. In addition, as JSE-listed securities, they are regulated by the JSE's ETF

rules. The underlying assets held by the ETF portfolios are physically held in custody on behalf of the investors. ETFs in South Africa do not have any exposure to derivatives.

- **Cost-effective** - as ETFs employ passive investment methodology (i.e. index-tracking), they are generally more cost-effective than the comparable active funds (e.g. unit trusts/unlisted collective investment schemes).

Importantly, ETFs combine all the benefits of a collective investment scheme (unit trust) such as investor protection (since the assets are held in custody on behalf of investors), full disclosure and tax benefits, with the convenience and efficiency of trading a listed security.

Traditionally, individuals have been major investors in ETFs. Internationally, this trend is changing as institutional investors recognise the benefits of these low-cost and efficient investments and incorporate them into their investment strategies.



1. NewFunds S&P GIVI SA Top 50 ETF

Fund Overview

The S&P GIVI (Global Intrinsic Value Index) South Africa Top 50 ETF replicates the price performance of the S&P GIVI South Africa Top 50 Index, an Index designed to reflect an alternative beta strategy for the South African market. The S&P GIVI indices are a systematic, rules-driven family of indices that combine two factors: low volatility and intrinsic value.

The S&P GIVI South Africa Top 50 Index represents 50 stocks within the S&P GIVI South Africa Composite with the largest intrinsic value. The S&P GIVI SA Top 50 ETF is managed by NewFunds (Pty) Ltd, together with Absa Alternative Asset Management (Pty) Ltd and the S&P is the Index calculation agent.

Index Methodology

The Index is calculated by first excluding the 30% of market capitalisation with the highest beta. The remaining stocks are then ranked by their intrinsic value subject to the following constraints:

- Stocks must have a minimum total market capitalisation of R10 billion
- Stocks must have a minimum average daily traded value of R15 million
- Preferred stocks are excluded from the index
- The maximum weight of each stock in the index is capped at 10%

Fund Facts

The Issuer	NewFunds Collective Investment Scheme (NewFunds CIS)	JSE Code	GIVISA
Manager	NewFunds (Pty) Ltd	ISIN	ZAE000205225
Originators	Absa Bank Limited acting through the Absa CIB division and Absa Alternative Asset Management (Pty) Ltd	Offer Price	Approximately 1.4137/100 th of the S&P GIVI SA Top 50 Index
Index	S&P GIVI SA Top 50 Index	Index Rebalancing Frequency	Every 6 months
Listing	JSE Limited ("JSE")	Investment Objective	NewFunds S&P GIVI SA Top 50 ETF is created with the objective to track the performance of the S&P GIVI SA Top 50 Index
Sector	Exchange-traded Funds	Base Currency	ZAR
Listing Date*	23 Jun 08	Distribution Frequency	Mar, Jun, Sep and Dec

* The ETF was listed on 23 June 2008, the underlying Index was changed on 1 June 2015

2. NewFunds S&P GIVI SA Financial 15 ETF

Fund Overview

The S&P GIVI (Global Intrinsic Value Index) South Africa Financial 15 ETF replicates the price performance of the S&P GIVI South Africa Financials Index, an Index designed to reflect an alternative beta strategy for the South African market. The S&P GIVI indices are a systematic, rules-driven family of indices that combine two factors: low volatility and intrinsic value.

The S&P GIVI South Africa Financials Index, a subset of the S&P GIVI South Africa composite, represents the 15 stocks from the S&P GIVI South Africa composite having a GICS sector classification of financials with the highest intrinsic value subject to certain constraints.

The S&P GIVI SA Financial 15 ETF is managed by NewFunds (Pty) Ltd, together with Absa Alternative Asset Management (Pty) Ltd and the S&P is the Index calculation agent.

Index Methodology

The Index is calculated by first excluding the 30% of market capitalisation with the highest beta. The remaining stocks are then ranked by their intrinsic value subject to the following constraints:

- Stocks must have a minimum total market capitalisation of R10 billion
- Stocks must have a minimum average daily traded value of R15 million
- Preferred stocks are excluded from the index
- The maximum weight of each stock in the index is capped at 30%

Fund Facts

The Issuer	NewFunds CIS	JSE Code	GIVFIN
Manager	NewFunds (Pty) Ltd	ISIN	ZAE000205258
Originators	Absa Bank Limited acting through the Absa CIB division and Absa Alternative Asset Management (Pty) Ltd	Offer Price	Approximately 1.40829/100 th of the average S&P GIVI SA Financials Index
Benchmark Index	S&P GIVI SA Financials Index	Index Rebalancing Frequency	Every 6 months
Listing	JSE Limited ("JSE")	Investment Objective	NewFunds S&P GIVI SA 15 ETF is created with the objective to track the performance of the S&P GIVI SA Financials Index
Sector	Exchange-traded Funds	Base Currency	ZAR
Listing Date*	15 June 09	Dividend Frequency	Mar, Jun, Sep and Dec

* The ETF was listed on 15 June 2009, the underlying Index was changed on 1 June 2015

3. NewFunds S&P GIVI SA Industrial 25 ETF

Fund Overview

The S&P GIVI (Global Intrinsic Value Index) South Africa Industrial 25 ETF replicates the price performance of the S&P GIVI South Africa Industrials Index, an Index designed to reflect an alternative beta strategy for the South African market. The S&P GIVI indices are a systematic, rules-driven family of indices that combine two factors: low volatility and intrinsic value.

The S&P GIVI South Africa Industrials Index, a subset of the S&P GIVI South Africa composite, represents the 25 stocks from the S&P GIVI South Africa composite having a GICS sector classification of industrials, consumer discretionary, consumer staples, health care, information technology or telecommunication services with the highest intrinsic value subject to certain constraints.

The S&P GIVI SA Industrial 25 ETF is managed by NewFunds (Pty) Ltd, together with Absa Alternative Asset Management (Pty) Ltd and the S&P is the Index calculation agent.

Index Methodology

The Index is calculated by first excluding the 30% of market capitalisation with the highest beta. The remaining stocks are then ranked by their intrinsic value subject to the following constraints:

- Stocks must have a minimum total market capitalisation of R10 billion
- Stocks must have a minimum average daily traded value of R15 million
- Preferred stocks are excluded from the index
- The maximum weight of each stock in the index is capped at 30%

Fund Facts

The Issuer	NewFunds CIS	JSE Code	GIVIND
Manager	NewFunds (Pty) Ltd	ISIN	ZAE000205241
Originators	Absa Bank Limited acting through the Absa CIB division and Absa Alternative Asset Management (Pty) Ltd	Offer Price	Approximately 1.3465/100 th of the average S&P GIVI SA Industrials Index
Benchmark Index	S&P GIVI SA Industrials Index	Index Rebalancing Frequency	Every 6 months
Listing	JSE Limited ("JSE")	Investment Objective	NewFunds S&P GIVI SA Industrial 25 ETF is created with the objective to track the performance of the S&P GIVI SA Industrials Index
Sector	Exchange-traded Funds	Base Currency	ZAR
Listing Date*	15 June 09	Dividend Frequency	Mar, Jun, Sep and Dec

* The ETF was listed on 15 June 2009, the underlying Index was changed on 1 June 2015

4. NewFunds S&P GIVI SA Resource 15 ETF

Fund Overview

The S&P GIVI (Global Intrinsic Value Index) South Africa Resource 15 ETF replicates the price performance of the S&P GIVI South Africa Resources Index, an Index designed to reflect an alternative beta strategy for the South African market. The S&P GIVI indices are a systematic, rules-driven family of indices that combine two factors: low volatility and intrinsic value.

The S&P GIVI South Africa Resources Index, a subset of the S&P GIVI South Africa composite, represents the 15 stocks from the S&P GIVI South Africa composite having a GICS sector classification of energy or materials with the highest intrinsic value subject to certain constraints.

The S&P GIVI SA Resource 15 ETF is managed by NewFunds (Pty) Ltd, together with Absa Alternative Asset Management (Pty) Ltd and the S&P is the Index calculation agent.

Index Methodology

The Index is calculated by first excluding the 30% of market capitalisation with the highest beta. The remaining stocks are then ranked by their intrinsic value subject to the following constraints:

- Stocks must have a minimum total market capitalisation of R10 billion
- Stocks must have a minimum average daily traded value of R15 million
- Preferred stocks are excluded from the index
- The maximum weight of each stock in the index is capped at 30%

Fund Facts

The Issuer	NewFunds CIS	JSE Code	GIVRES
Manager	NewFunds (Pty) Ltd	ISIN	ZAE000205233
Originators	Absa Bank Limited acting through the Absa CIB division and Absa Alternative Asset Management(Pty) Ltd	Offer Price	Approximately 2.37306/100 th of the average S&P GIVI SA Resources Index
Benchmark Index	S&P GIVI SA Resources Index	Index Rebalancing Frequency	Every 6 months
Listing	JSE Limited ("JSE")	Investment Objective	NewFunds S&P GIVI SA Resource 15 ETF is created with the objective to track the performance of the S&P GIVI SA Resources Index
Sector	Exchange-traded Funds	Base Currency	ZAR
Listing Date*	15 June 09	Dividend Frequency	Mar, Jun, Sep and Dec

* The ETF was listed on 15 June 2009, the underlying Index was changed on 1 June 2015

About S&P Dow Jones Indices

S&P Dow Jones Indices (S&P DJI) is a leading publisher of a wide variety of indices, many of which are used as benchmarks throughout the global marketplace. S&P Dow Jones is a market leader in robust index management and publishes over 1,000,000 indices, including globally-recognised and industry-leading indices such as the S&P 500®, the Dow Jones Industrial Average™ and the S&P/Case Shiller Home Price Indices. In addition to calculating and publishing their own indices, they also have a great deal of experience working with third-parties and owners of other benchmarks to leverage their oversight and

governance protocols, their transparent systems and processes, and to act as a custom index calculation agent that calculates, maintains and distributes over 50,000 custom indices around the globe.

S&P is among the world's largest and most influential index providers based on: visibility across global audiences, assets both benchmarked and directly indexed, ETF listings and assets, derivatives contracts based on a variety of indices and other key measures of liquidity and adoption.

Fund Benefits

Traded like a share

ETFs are funds listed and traded like ordinary shares on a stock exchange. Profits or losses are made from the difference between buying and selling prices. Like any other security, ETFs carry the risk of a loss or profit as its value changes. The advantage of ETFs is that they can readily be bought or sold as with any listed security. They can be traded throughout normal JSE trading hours and their actual value can be calculated at any time, unlike an unlisted collective investment scheme (unit trust) or other actively managed fund where the unit price is calculated internally and is reported weekly, monthly or sometimes only quarterly.

Lower fee structure

Tracking the performance of an index or market is deemed to be passive investing. Passive investment products are usually associated with lower costs. Active investing attempts to outperform a given market or index. In return for the promise of premium performance, active investment managers and advisers charge fees over and above the usual investment costs.

Easily verifiable

Another advantage of ETFs is its record-keeping process. All purchases, sales and creations are through an exchange, which provides an additional reconciliation for funds. The JSE stipulates that an ETF can only track a publicly traded index. This means

the performance of NewFunds ETFs can easily be measured against its stated index. The prices quoted can be reconciled and verified making the investment totally transparent.

Liquidity

ETFs are easy to buy and sell. All NewFunds ETFs make use of Absa CIB, a reputable market-maker, to ensure that liquidity is always maintained. If there is no willing buyer or seller at the other end of the trade, the market-maker will step in as the counterparty. Those investors who do not wish to receive cash for their shares, will always have the right to get their proportionate holding of the actual underlying assets instead (subject to minimum size limits).

Convenience and flexibility

NewFunds ETFs offer exposure to a broad range of different markets through a single investment transaction and respond to market movements on the securities exchange throughout the trading day. Active funds, on the other hand, require the active attention of investment managers. Therefore, investors generally are not in a position to know when and at what prices the shares in their portfolios are being traded.

Transparency

The holdings of NewFunds ETF track the underlying index as their benchmark. These components are fully disclosed.

Structured products

Since NewFunds ETFs are listed instruments, it is possible to write structured products against the performance of these securities to create a specific payoff profile. For example, a bank could guarantee the investor's capital over a 12-month period while the investor could still benefit from the performance of NewFunds ETF up to a stated capped return.

Security

The assets of NewFunds ETFs are held in custody on behalf of investors and are part of a registered Collective Investment Scheme approved by the FSB and regulated in accordance with the provisions of

the Collective Investment Schemes Control Act, 2002 (CISCA). Importantly, compliance and control is performed by a management company which is run by a board of independent, non-executive directors. The assets of the investors are held by Standard Bank Trustees.

Taxation

Any gain obtained from the acquisition and disposal of NewFunds ETFs will be subject to income tax, capital gains tax or will not be taxable at all if the investor is tax-exempt. Applicants are advised to consult with their tax advisers.

Risks

Market risk

The value of ETF securities will rise and fall according to market changes. As with most investment vehicles, the investor's capital is not protected in an ETF. Therefore, depending on market movements during the investment period, an investor is not guaranteed to get back their initial capital upon the sale of the ETF.

Tracking error

The aim of an ETF is to track a stated index, but there may be times when slippage from the index is inevitable. This slippage is known as a 'tracking error' and can be caused by a number of different factors:

- Differences in dividend reinvestment
- Lack of liquidity in the underlying index
- Timing lags in rebalancing the underlying securities in line with the index
- Management fees and expenses in running the ETF
- However, a tracking error is usually quite small and detracts very little from the overall return.



Frequently Asked Questions (FAQs)

1. What is an Exchange-traded Fund (ETF)

Exchange-traded Funds (ETFs) are passively managed index funds that are listed and traded on a securities exchange. An ETF tracks the performance of (and/or gains a broad exposure to) a particular index, sector or a commodity for individual and institutional investors.

2. Do S&P GIVI SA ETFs have a performance fee?

Since ETFs are passively managed funds there are no performance fees. This is another good reason why ETFs are considered low-cost investments.

3. How are the S&P GIVI shares selected?

The S&P GIVI indices combine two factors in stock selection: low volatility and intrinsic value. To achieve a goal of lower volatility, the S&P GIVI SA series excludes the 30% of market capitalisation with the highest beta and then it weighs each of the remaining stocks by their intrinsic value.





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