

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME
SWIX 40 INDEX ETF PORTFOLIO**

**AUDITED ANNUAL FINANCIAL STATEMENTS
31 December 2017**

Prepared under the supervision of Palesa Mkhize CA(SA)
Designation: Head of Financial Decision Support

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
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for the year ended 31 December 2017

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REPORT OF THE TRUSTEE FOR THE NEWFUNDS COLLECTIVE INVESTMENT SCHEME IN SECURITIES

We, the Standard Bank of South Africa Limited, in our capacity as Trustee of the NewFunds Collective Investment Scheme in Securities ("the Scheme") have prepared a report in terms of Section 70(1)(f) of the Collective Investment Schemes Control Act, 45 of 2002, as amended ("the Act"), for the financial year ended 31 December 2017.

In support of our report we have adopted certain processes and procedures that allow us to form a reasonable conclusion on whether the Manager has administered the Scheme in accordance with the Act and the Scheme Deed.

As Trustees of the Scheme we are also obliged to in terms of Section 70(3) of the Act to satisfy ourselves that every statement of comprehensive income, statement of financial position or other return prepared by the Manager of the Scheme as required by Section 90 of the Act fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme.

The Manager is responsible for maintaining the accounting records and preparing the annual financial statements of the Scheme in conformity with International Financial Reporting Standards. This responsibility also includes appointing an external auditor to the Scheme to ensure that the financial statements are properly drawn up so as to fairly represent the financial position of every portfolio of its collective investment scheme are in accordance with International Financial Reporting Standards and in the manner required by the Act.

Our enquiry into the administration of the Scheme by the Manager does not cover a review of the annual financial statements and hence we do not provide an opinion thereon.

Based on our records, internal processes and procedures we report that nothing has come to our attention that causes us to believe that the accompanying financial statements do not fairly represent the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the Manager.

We confirm that according to the records available to us, no losses were suffered in the portfolios and no investor was prejudiced as a result thereof.

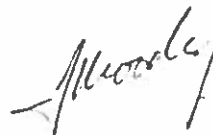
We conclude our report by stating that we reasonably believe that the Manager has administered the Scheme in accordance with:

- (i) the limitations imposed on the investment and borrowing powers of the manager by this Act;
- (ii) and the provisions of this Act and the deed;



Melinda Mostert

Standard Bank of South Africa Limited



Seggie Moodley

Standard Bank of South Africa Limited

27 March 2018

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO DIRECTORS' RESPONSIBILITIES AND APPROVAL

as at 31 December 2017

The directors (who are also the directors of the Manager - NewFunds (RF) Proprietary Limited) are responsible for overseeing the preparation, integrity and objectivity of the financial statements that fairly present the state of the affairs of the Scheme at the end of the reporting period and the net income and cash flows for the reporting period, and other information contained in this report.

The Scheme's annual financial statements comprise the statement of financial position at the reporting date, the statements of comprehensive income, changes in net assets attributable to investors, cash flows for the year ended and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, in the manner required by The Collective Investments Scheme Control Act of South Africa of 2002, International Financial Reporting Standards and the Trust Deed.

To enable the directors to meet these responsibilities:

- All directors will endeavour to maintain the highest ethical standards in ensuring the Scheme's business is conducted in a manner that in all reasonable circumstances is above reproach;
- The directors set standards and management implements systems of internal control and accounting and information systems aimed at providing reasonable assurance that both on and off statement of financial position assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;
- The directors and management identify all key areas of risk across the Scheme and endeavour to mitigate or minimise these risks by ensuring that appropriate infrastructure, controls, systems and discipline are applied and managed within predetermined procedures and constraints;
- The internal audit function outsourced from Barclays Africa Group Internal Audit, which operates unimpeded and independently from operational management, appraises, evaluates and, when necessary, recommends improvements to the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business; and
- The internal auditors play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of their knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

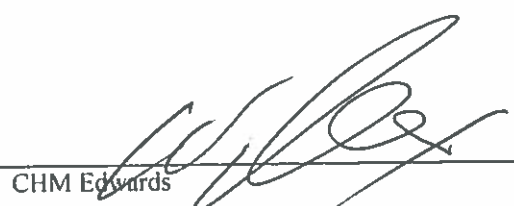
The portfolio consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis. The annual financial statements of the Scheme have been prepared in accordance with the provisions of the Collective Investment Scheme Control Act of 2002, Trust Deed and comply with International Financial Reporting Standards (IFRS) and all applicable legislation.

The directors have no reason to believe that the portfolio will not be a going concern in the reporting period ahead, based on forecasts and available cash resources. These financial statements have accordingly been prepared on this basis.

It is the responsibility of the independent auditors to report on the annual financial statements. Their report to the investors is set out in page 3 to 7 of this report.

The annual financial statements set out on pages 10 to 36 were approved by the directors on 27 March 2018 and were signed on its behalf by:


AB La Grange


CHM Edwards

INDEPENDENT AUDITOR'S REPORT TO THE MANAGER AND HOLDERS OF SECURITIES IN THE NEWFUNDS SWIX 40 INDEX ETF PORTFOLIO

Report on the Audit of Annual Financial Statements

Opinion

We have audited the financial statements of NewFunds SWIX 40 Index ETF Portfolio (the Portfolio) as set out on pages 10 to 36, which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, the statement of changes in net assets attributable to investors, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Collective Investments Schemes Control Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Portfolio in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Federation of Accountants' Code of Ethics for Professional Accountants (IFAC Code) and other independence requirements applicable to performing the audit of the financial statements of the Portfolio. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IFAC code and in accordance with other ethical requirements applicable to performing an audit of the Portfolio. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



Key Audit Matter	How the Matter was addressed in the audit
<p data-bbox="213 282 738 371"><u>Valuation of the portfolio investments, net assets attributable to investors and related disclosure</u></p> <p data-bbox="213 409 775 562">The valuation of the portfolio investments is regarded as an area of audit focus as it represents a principle element of financial statements and is an important part of the net assets attributable to investors.</p> <p data-bbox="213 600 783 752">We assess the fair value of the portfolio investments and therefore the resulting impact on the net assets attributable to investors each year as the fair values are derived from market movements which change each year.</p> <p data-bbox="213 790 783 1167">When assessing the appropriateness of the valuation methodology applied, judgement is required in assessing whether the frequency with which instruments are traded meets the criteria of an active market as required by IFRS 13 Fair Value Measurement which are principle based criteria rather than set thresholds. When instruments are assessed as not being traded on an active market (i.e. instruments not categorised as level 1), adjustments are required to be made which require significant judgement and auditor attention.</p> <p data-bbox="213 1205 770 1267">The disclosures associated with fair valuation of the portfolio Investments are set out below:</p> <ul data-bbox="256 1267 730 1330" style="list-style-type: none">Note 7 - Portfolio Investments and Participation Interest <p data-bbox="213 1330 730 1393">Note 13 Fair Value Hierarchy of Assets and Liabilities held at Fair Value</p>	<p data-bbox="815 282 1393 412">Our audit of the valuation of the portfolio investment, net assets attributable to investors and related disclosure included, amongst others, the following audit procedures:</p> <ul data-bbox="815 450 1393 2051" style="list-style-type: none">• We evaluated whether the valuation methodologies of the portfolio investment are appropriate in terms of their classification type and fair value level as financial instruments and correctly applied in accordance with IFRS 13 Fair Value Measurement accounting policies.• We independently assessed both the volumes traded in the underlying investments and the portfolio to unit holders, by obtaining the average volumes of the instruments traded from a trusted source and applying professional judgement and experience, to ensure that the instruments traded, are traded in an active market or not.• We assessed the appropriateness of the disclosure classification of level 1 and level 2 fair value measurements by applying professional judgement when observing the frequency of the number of units of the instruments traded in the period and whether the valuation technique applied in order to value level 1 and level 2 financial instruments was correct in accordance with the requirements of IFRS 13.• For financial instruments classified as level 1, we vouched that inputs are based on quoted prices in an active market. For financial instruments classified as level 2, we vouched inputs as being observable in the market by obtaining the market price for these instruments.• We engaged internal experts to assist us in determining whether the assumptions used in the disclosure of the portfolio investments, were reasonable.• Our work on assumptions and inputs, such as the quoted prices in active markets (level 1) and quoted prices for identical or similar instruments in markets that are not active (level 2), volume of instruments traded and the location of the where the instruments are traded, focused on those which had the most significant impact on the outcome of the portfolio investments valuation models.• We re-computed the outcomes of the portfolio investments valuation model to ensure its mathematical accuracy.

Key Audit Matter	How the Matter was addressed in the audit
	<ul style="list-style-type: none"> We compared the NewFunds portfolio investments list to that held by the service organisation and to external third party data.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Responsibilities and Approvals, Trustee's Report and Directors' Report, but does not include the financial statements and our Auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Collective Investment Schemes Control Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Portfolio's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Portfolio or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for

one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Portfolio's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors'.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Portfolio's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Portfolio to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of each Exchange Traded Fund Portfolio within the Portfolio to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

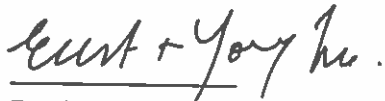
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Rohan Baboolal.

Report on other Legal and Regulatory Requirements

In terms of the IRBA Rule published in the Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of the NewFunds Collective Investment Scheme for 6 years.



Ernst & Young Inc.
Director - Rohan Baboolal
Registered Auditor
Chartered Accountant (SA)
27 March 2018

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
DIRECTOR'S REPORT
for the year ended 31 December 2017

Management company registration number 2005/034899/07

Country of incorporation and domicile South Africa

Date of publication 29 March 2018

Nature of business and principle activities NewFunds Collective Investment Scheme manages exchange traded fund (ETF) portfolios. Its objective is to track the performance of specific indices on the stock market in the portfolio. The SWIX 40 ETF tracks the FTSE/JSE SWIX 40 total return Index, the FTSE/JSE Top 40 Shareholder Weighted Total Return Index. The SWIX 40 index is a shareholder weighted Top 40 Index, which makes use of the share register of the top 40 companies listed on the main board of the JSE and qualifying under the Ground Rules as being eligible for inclusion in the index, to reduce the constituent weights for foreign shareholders in these stocks.

Directors	Name	Appointment date	Resignation date
	CHM Edwards	24/03/2016	
	TJ Fearnhead	25/11/2013	
	AB La Grange	10/07/2006	
	DA Lorimer	01/12/2016	
	BM Mgwaba	15/10/2015	
	RMH Pitt	17/02/2017	
	CMR Playne	23/07/2014	06/11/2017
	EM Southey	24/06/2011	17/02/2017

Registered office 7th Floor
 Barclays Towers West
 15 Troye Street
 Johannesburg
 2001

Trustees Standard Bank of South Africa Limited

Bankers Standard Bank of South Africa Limited

Auditors Ernst & Young Inc.
 102 Rivonia Road
 Sandton
 Johannesburg
 2196

Supervised by The scheme is managed by NewFunds (RF) Proprietary Limited, a 100% owned subsidiary of Absa Bank Limited. The preparation of these annual financial statements therefore falls under the direct supervision of Absa Bank Limited, represented by Palesa Mkhize CA(SA), Head of Financial Decision Support. All references to 'Manager' and 'Management' relate to NewFunds (RF) Proprietary Limited.

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
DIRECTOR'S REPORT (continued)
for the year ended 31 December 2017

Review of financial results	The financial results of the portfolio are set out in the attached financial statements. The results do not, in the opinion of the directors require further explanation.
Events after the reporting date	Events material to the understanding of these financial statements that occurred in the period between the financial year end and the date of this report has been disclosed in Note 18.
Going concern	The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.
Special resolutions	No special resolutions were passed during the period under review.

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Notes	2017 R	2016 R
Non-interest income			
Fair value adjustment	7.1	3 145 374	(534 216)
		3 145 374	(534 216)
Revenue	4	451 944	449 654
		3 597 318	(84 562)
Management and administration expenses		(51 031)	(63 656)
(Decrease)/increase in net assets attributable to investors before distribution	5	3 546 288	(148 218)
Dividend withholding tax portion relating to re-investments		(27 029)	(33 890)
(Decrease)/increase in net assets attributable to investors after distribution		3 519 258	(182 108)
Represented by:			
Income attributable to investors		373 884	352 108
Capital attributable to investors		3 145 374	(534 216)

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Notes	2017 R	2016 R
Assets			
<i>Non-current assets</i>			
Portfolio Investments	7	18 449 935	14 941 072
Total non-current assets		18 449 935	14 941 072
<i>Current assets</i>			
Trade receivables	8	7 037	72
Cash and cash equivalents	11	74 479	73 344
Total current assets		81 516	73 416
Total assets		18 531 451	15 014 488
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	9	42	2 337
Net assets attributable to investors		18 531 409	15 012 151

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO INVESTORS
for the year ended 31 December 2017

	Capital attributable to investors R	Income attributable to investors R	Total equity R
Balance at 1 January 2016	13 971 493	1 222 766	15 194 259
(Decrease)/Increase in net assets attributable to investors	(534 216)	352 108	(182 108)
Balance at 31 December 2016	13 437 277	1 574 874	15 012 151
Balance at 1 January 2017	13 437 277	1 574 874	15 012 151
(Decrease)/Increase in net assets attributable to investors	3 145 374	373 884	3 519 258
Balance at 31 December 2017	16 582 651	1 948 758	18 531 409

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Notes	2017 R	2016 R
Cash flows from operating activities			
Cash used in operations	10	(53 325)	(65 452)
Purchase of equity securities due to rebalancing		(1 387 203)	(2 453 034)
Proceeds from sale of equity securities due to rebalancing		1 023 713	2 096 866
Dividends received		391 652	400 593
Interest received		7 267	8 843
Real Estate Investment income received		46 060	40 334
Dividend withholding tax portion relating to re-investment		(27 029)	(33 890)
Net cash generated from/(used in) operating activities		1 135	(5 740)
Net increase/(decrease) in cash and cash equivalents		1 135	(5 740)
Cash and cash equivalents at the beginning of the year		73 344	79 084
Cash and cash equivalents at the end of the year	11	74 479	73 344

1. STATEMENT OF COMPLIANCE

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC) and the requirements of the Trust deed, The Collective Investment Schemes Control Act of 2002, JSE Listing requirements and the SAICA Financial Reporting Guides.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

During the current year, the Scheme has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2017. The adoption of these new and revised standards and interpretations has not resulted in material changes to the Scheme's accounting policies. For details of the new and revised accounting policies refer to Note 19.

2.2 BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting, except for cash flow information. Apart from certain items that are carried at fair valued amounts, as explained in the accounting policies below, the financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The financial statements are presented in South African Rands (R), the functional and presentation currency of the Scheme. All financial information is presented to the nearest Rand.

2.3 REVENUE RECOGNITION

Revenue comprises interest income, dividend income and real estate investment income. It is recognized to the extent that it is probable that there will be an inflow of economic benefits and the income can be reliably measured.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the scheme and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the scheme and the amount can be measured reliably).

Real estate Investment income (REIT) in the form of cash distributions from the REIT is recognized when the right to receive income is established.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Scheme becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are capitalised to the initial carrying amount of the financial asset/liability, as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets then the instrument should be recognised at the fair value derived from such observable market data.

For valuations that have made use of significant unobservable inputs, the difference between the model valuation and the initial transaction price (Day One profit/loss) is recognised in profit or loss either on a straight-line basis over the term of the transaction or released in full when previously unobservable inputs become observable.

2.4.1 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets are classified as loans and receivables or investments at fair value through profit or loss. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Cash and cash equivalents and trade receivables are classified as loans and receivables.

Financial liabilities are either measured at amortised cost or classified as at fair value through profit or loss, which may occur when the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities comprise trade and other payables and net assets attributable to investors. Trade and other payables comprise management and Scheme fee payables and are measured at amortised cost using the effective interest method. Net assets attributable to investors are listed debt instruments held by investors in the form of ETFs and are designated at fair value through profit and loss.

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets are measured as at fair value through profit and loss when they are either held for trading or designated as at fair value through profit and loss.

A financial instrument other than one that is held for trading may be designated as at fair value through profit and loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial instrument forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the documented risk management or investment strategy, taking into consideration the relationship of assets to liabilities in a way that mitigates market risk; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit and loss.

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
Summary of Accounting Policies (continued)
for the year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 FINANCIAL INSTRUMENTS (continued)

2.4.1 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial instruments at fair value through profit and loss are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Scheme's right to receive payments is established.

Creation and redemption

Creation and redemption are recorded on trade date using historic cost being the previous day closing index price.

Net assets attributable to investors (redeemable securities)

All redeemable securities provided by the portfolios provide investors with the right to request redemption for cash or in specie at the value proportionate to each investor's share. The securities are redeemable at any time at the option of the security holder and are therefore classified as financial liabilities.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost except for liabilities designated at fair value which are held at fair value through profit and loss. Amortised cost is the initial fair value (which is normally the amount borrowed) adjusted for premiums, discounts, repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the liability.

FAIR VALUE

The listed underlying investments are carried at fair value through profit or loss such as those designated by management under the fair value option.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 FINANCIAL INSTRUMENTS (continued)

2.4.1 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

DERECOGNITION OF FINANCIAL INSTRUMENTS

Derecognition of financial assets

Full derecognition only occurs when the rights to receive cash flows from the asset have been discharged, cancelled or have expired, or the Scheme transfers both its contractual right to receive cash flows from the financial assets (or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment) and substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss. Where the terms of an existing liability are not substantially modified, the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.4.2 OFFSETTING

In accordance with IAS 32 Financial Instruments: Presentation, the Scheme reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a current legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.5 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash comprises cash on hand and demand deposits, and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less.

2.6 SEGMENT REPORTING

The portfolio trades under the umbrella of the NewFunds Collective Investment Scheme ("CIS") as separate exchange traded fund. The fund is separately listed and trades on the JSE. Thus each of the separate portfolios fall within the scope of IFRS 8: Operating Segments. This fund has a narrowly defined mandate and operates a single line of business. Therefore the fund as a whole is considered to be one operating segment.

2.7 DISTRIBUTIONS

The portfolio tracks a total return and therefore all distributions from constituents are not paid to investors but are reinvested through the purchase of additional constituents in the weightings of the specific index.

To achieve this, such portfolios pay out all distributions to the relevant Central Securities Depository Participants (CSDPs), and receive back from the CSDPs a net distribution after the deduction of a 20% dividend withholding tax ("DWT").

The 20% DWT retained by the CSDPs is either paid to the tax authority on behalf of the investor where the investor is subject to DWT, or else it is paid to the investor should they not be subject to DWT.

The "dividend withholding tax portion relating to re-investment" therefore decreases net assets attributable to investors.

2.8 TAXATION

Income is taxed in the hands of the investor if the portfolio distributes within 12 months of having received income, failing which income will be deemed to be received by, and accrued to the portfolio and will be taxed in its hands. Capital gains and losses are ultimately taxed in the investor's hands on disposal of their participatory interest.

The portfolio has distributed income within 12 months of receiving it within in the current and prior year. Therefore, no income tax has been provided for in the portfolio in the current and prior year.

2.9 PROVISIONS, CONTINGENT LIABILITIES AND COMMITMENTS

Provisions are recognised when the Scheme has a present constructive or legal obligation as a result of past events and it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Transactions are classified as contingent liabilities where the existence of the Scheme's possible obligations depends on uncertain future events beyond the Scheme's control or when the Scheme has a present obligation that is not probable or which the Scheme is unable to measure reliably.

Items are classified as commitments where the Scheme commits itself to future transactions or if the items will result in the acquisition of assets.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Scheme from a contract are lower than the unavoidable cost of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract. Before a provision is established, the Scheme recognizes any impairment loss on the assets associated with that contract.

3. JUDGEMENTS AND ESTIMATES

In the preparation of the annual financial statements, management is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements within the next financial period. In the period under review, there were no significant judgements or estimates made.

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
Notes to the annual financial statements
for the year ended 31 December 2017

	2017 R	2016 R
4. REVENUE		
Interest	7 287	8 727
Dividends	398 597	400 593
Real Estate investments income	46 060	40 334
	451 944	449 654

5. INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO INVESTORS BEFORE DISTRIBUTION

Included in net assets attributable to investors before distribution are the following significant transactions:

Management fee	(39 932)	(46 864)
Transaction fee	(6 943)	(11 154)
Trustee fees	(2 691)	(3 259)

6. TOTAL EXPENSE RATIO

Increased customer demand for greater transparency in financial services and the recognition thereof by the collective investment industry requires Collective Investment Scheme managers to calculate and publish a Total Expense Ratio (TER) for each portfolio under management. This is a requirement in terms of the Association of Collective Investment Scheme (ACI) standard on the calculation and publication of TER.

The ACI Guidelines on the TERs require that a fund must be in existence for more than 6 months before expense ratios can be calculated and published.

The total expense ratio by definition as expressed in the ACI standards is a measure of the portfolio's assets that were relinquished as payment for services rendered in the management of the portfolio. This is expressed as a percentage of the fraction; total expenses paid for by a portfolio for the previous 12 months divided by the daily average net asset value for the previous 12 months.

	2017 R	2016 %
SWIX 40	0.27	0.34

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
Notes to the annual financial statements (continued)
for the year ended 31 December 2017

7. PORTFOLIO INVESTMENTS

These financial assets are designated at fair value through profit and loss.

The fund designates all equity investments at fair value through profit and loss upon initial recognition as it manages these securities on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these securities are on a fair value basis.

	2017 R	2016 R
7.1 RECONCILIATION OF THE FAIR VALUE OF INVESTMENTS		
Balance at 1 January	14 941 072	15 119 120
Fair value adjustments	3 145 374	(534 216)
Rebalancing effect	363 489	356 168
Balance at 31 December	18 449 935	14 941 072

7.2 RECONCILIATION OF THE NUMBER OF UNITS

Balance at 1 January	1 000 000	1 000 000
New issues during the year	-	-
Balance at 31 December	1 000 000	1 000 000

7.3 PARTICIPATION INTEREST

The scheme is the primary issuer of participatory interests for the NewFunds CIS ETF's. The Scheme is obliged to sell and repurchase one or more baskets(s) of participatory interests requested or offered from or to it by investors. There is a provision that the funds can never be obliged to deliver part of the basket. Typically, since participatory interests are listed on the JSE, investors can buy or sell partial baskets of their participatory interests on the secondary market (and may contact either of the participating brokers or the market maker in this regard).

Partial baskets of the portfolio are traded on the secondary market as SWIX 40 Index Securities (NFSWIX) on the JSE.

Proceeds received from the issue of SWIX 40 Index securities are utilized to buy SWIX 40 baskets of selected constituents.

Net asset value per SWIX 40 Index Securities, after distributable amounts at 31 December 2017 was R18.53 (31 December 2016: R15.01)

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO

Notes to the annual financial statements (continued)

for the year ended 31 December 2017

7. PORTFOLIO INVESTMENTS

7.4 SWIX 40 INDEX SECURITIES BASKET OF CONSTITUENTS

	No. of Shares	Cost R	Current Price Cents	Market Value R	% of the fund
2017					
Banks					
Barclays Africa Group Limited	2 390	344 979	18 199	434 956	2.36
Capitec Bank Holdings Limited	193	146 430	109 796	211 906	1.15
First Rand Limited	11 771	325 176	6 725	791 600	4.29
Nedbank Group Limited	773	120 262	25 610	197 965	1.07
RMB Holdings Limited	2 429	75 769	7 917	192 304	1.04
Standard Bank Group Limited	4 665	510 125	19 566	912 754	4.95
Basic Resources					
Anglo American Public Limited Company	1 836	521 034	25 562	469 318	2.54
Anglogold Ashanti Limited	850	175 433	12 862	109 327	0.59
BHP Billiton Public Limited Company	1 301	330 561	25 055	325 966	1.77
Mondi Limited	431	30 433	31 927	137 605	0.75
Mondi Public Limited Company	365	31 344	31 932	116 552	0.63
Sappi Limited	2 044	175 716	8 950	182 938	0.99
Chemicals					
Sasol Limited	2 033	816 913	42 818	870 490	4.72
Financial Services					
Investec Limited	1 007	55 386	8 972	90 348	0.49
Investec Public Limited Company	1 243	69 950	8 976	111 572	0.60
Food & Beverage					
Tiger Brands Limited	595	160 764	46 000	273 700	1.48
Health Care					
Aspen Pharmacare Holdings Limited	1 265	206 512	27 750	351 038	1.90
Life Healthcare Group Holdings Limited	4 981	170 875	2 775	138 223	0.75
Mediclinic International Public Limited Company	1 349	270 936	10 638	143 507	0.78
Industrial Goods & Services					
Bidvest Group Limited	1 211	183 424	21 809	264 107	1.43
Remgro Limited	1 889	276 750	23 600	445 804	2.42
Insurance					
Discovery Holdings Limited	1 248	106 786	18 600	232 128	1.26
Old Mutual Public Limited Company	10 908	276 473	3 800	414 504	2.25
Santlam Limited	6 197	210 000	8 700	539 139	2.92

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
Notes to the annual financial statements (continued)
for the year ended 31 December 2017

7.4 SWIX 40 INDEX SECURITIES BASKET OF CONSTITUENTS (CONTINUED)

	No. of Shares	Cost R	Current Price Cents	Market Value R	% of the fund
2017 (continued)					
Investment Instruments					
Reinet Investments SCA	530	127 935	27 400	1 45 220	0.79
Media					
Naspers Limited	1 568	1 250 430	345 100	5 411 168	29.33
Personal & Household Goods					
British American Tobacco	883	458 052	82 950	732 449	3.97
Compagnie Financiere Richmont SA	3 150	153 884	11 175	352 013	1.91
Steinhoff International Holdings	9 417	423 045	465	43 789	0.24
Real Estate					
Fortress Real Estate Investment Trust Limited	7 023	158 942	2 797	196 421	1.06
Growthpoint Properties Limited	10 220	229 181	2 766	282 685	1.53
Nepi Castle Public Limited Company	1 242	227 598	21 357	265 254	1.44
Redefine Property Limited	18 672	214 546	1 070	199 790	1.08
Resilient REIT Limited	1 184	170 664	15 116	178 973	0.97
Retail					
Bid Corporation Limited	1 218	175 589	30 099	366 606	1.99
Mr Price Group Limited	885	189 246	24 487	216 710	1.17
Shoprite Holdings Limited	1 613	234 203	22 119	356 779	1.93
The Spar Group Limited	709	135 173	20 333	144 161	0.78
Truworths International Limited	1 568	144 957	9 447	148 129	0.80
Woolworths Holdings Limited	3 485	188 044	6 531	227 605	1.23
Telecommunications					
MTN Group Limited	6 627	904 779	13 660	905 248	4.91
Vodacom Group Limited	2 191	265 102	14 568	319 185	1.73
Total Equities		11 243 401		18 449 935	100.00

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
Notes to the annual financial statements (continued)
for the year ended 31 December 2017

7. PORTFOLIO INVESTMENTS (continued)

7.4 SWIX 40 INDEX SECURITIES BASKET OF CONSTITUENTS (continued))

	No. of Shares	Cost R	Current Price Cents	Market Value R	% of the fund
2016					
Banks					
Barclays Africa Group Limited	1 551	229 892	16 869	261 638	1.75
First Rand Limited	10 905	279 863	5 317	579 819	3.88
Nedbank Group Limited	786	122 285	23 813	187 170	1.25
RMB Holdings Limited	2 388	73 360	6 640	158 563	1.06
Standard Bank Group Limited	4 363	462 967	15 175	662 085	4.43
Basic Resources					
Anglo American Public Limited Company	2 190	623 136	19 510	427 269	2.86
Anglogold Ashanti Limited	789	166 955	15 258	120 386	0.81
BHP Billiton Public Limited Company	1 371	348 832	21 868	299 810	2.01
Impala Platinum Limited	2 482	166 346	4 274	106 081	0.71
Mondi Limited	433	28 734	27 999	121 236	0.81
Mondi Public Limited Company	425	34 790	27 872	118 456	0.79
Sappi Limited	1 975	169 472	8 995	177 651	1.19
Chemicals					
Sasol Limited	2 020	811 040	39 890	805 778	5.39
Financial Services					
Brait S.E	1 185	126 924	8 756	103 759	0.69
Investec Limited	982	52 890	9 075	89 117	0.60
Investec Public Limited Company	1 198	65 900	9 075	108 719	0.73
Food & Beverage					
Tiger Brands Limited	576	153 182	39 783	229 150	1.53
Health Care					
Aspen Pharmacare Holdings Limited	1 340	216 311	28 358	379 997	2.54
Life Healthcare Group Holdings	3 629	137 580	3 260	118 305	0.79
Mediclinic International Public Limited Company	1 349	270 936	13 000	175 370	1.17
Netcare Limited	5 329	198 433	3 184	169 675	1.14

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
Notes to the annual financial statements (continued)
for the year ended 31 December 2017

7. PORTFOLIO INVESTMENTS (continued)							
7.4	SWIX 40 INDEX SECURITIES BASKET OF CONSTITUENTS (continued)	No. of shares	Cost R	Current Price (cents)	Market Value R	% of the fund	
	2016 (continued)						
	Industrial Goods & Services						
	Bidvest Group Limited	1 206	182 463	18 125	218 588	1.46	
	Remgro Limited	2 097	304 937	22 305	467 736	3.13	
	Insurance						
	Discovery Holdings Limited	1 176	97 770	11 450	134 652	0.90	
	Old Mutual Public Limited Company	11 235	282 872	3 444	386 933	2.59	
	Sanlam Limited	6 466	214 554	6 290	406 711	2.72	
	Media						
	Naspers limited	1 589	1 210 725	201 409	3 200 389	21.42	
	Investment Instruments						
	Reinet Investments SCA	5 380	129 964	2 680	144 184	0.97	
	Personal & Household Goods						
	British American Tobacco Public Limited Company	981	442 502	77 861	763 816	5.11	
	Compagnie Financiere Richmont SA	3 459	165 181	9 074	313 870	2.10	
	Steinhoff International Holdings	8 672	372 728	7 128	618 140	4.14	
	Real Estate						
	Fortress Income Fund A	4 068	62 150	1 657	67 407	0.45	
	Fortress Income Fund B	2 663	88 863	3 233	86 095	0.58	
	Redefine Property Limited	16 627	192 817	1 119	186 056	1.25	
	Growthpoint Properties Limited	9 792	216 779	2 589	253 515	1.70	
	New Europe Property Investment Public Limited Company	828	127 778	15 900	131 652	0.88	
	Retail						
	Bid Corporation Limited	1 237	175 390	24 515	303 251	2.03	
	The Spar Group Limited	696	132 564	19 858	138 212	0.93	
	Woolworths Holdings Limited	3 516	189 330	7 102	249 706	1.67	
	Shoprite Holdings Limited	1 487	207 704	17 146	254 961	1.71	
	Mr Price Group Limited	851	183 847	15 955	135 777	0.91	
	Telecommunications						
	MTN Group Limited	6 318	866 359	12 617	797 142	5.34	
	Vodacom Group Limited	1 852	216 526	15 240	282 245	1.89	
	Total Equities		9 635 264		14 941 072	100.00	

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
Notes to the annual financial statements (continued)
for the year ended 31 December 2017

	2017 R	2016 R
8. TRADE RECEIVABLES		
Sundry Debtors	6 945	-
Interest income receivable	92	72
	7 037	72
9. TRADE AND OTHER PAYABLES		
Sundry creditors	-	1 886
Trustees fees	42	451
	42	2 337
10. CASH USED IN OPERATIONS		
(Decrease)/ increase in net assets attributable to investors after distribution	3 519 258	(182 108)
Adjustments for:		
Interest income	(7 287)	(8 727)
Dividend income	(398 597)	(400 593)
Fair value losses/(gains)	(3 145 374)	534 216
Real Estate Investment income	(46 060)	(40 334)
Dividend withholding tax portion relating to re-investments	27 029	33 890
Cash used in operations before working capital changes	(51 031)	(63 656)
Changes in working capital		
Decrease in trade and other payables	(2 294)	(1 796)
Total changes in working capital	(2 294)	(1 796)
Cash used in operations	(53 325)	(65 452)
11. CASH AND CASH EQUIVALENTS		
Current account	74 479	73 344

12. RISK MANAGEMENT

12.1 CAPITAL RISK MANAGEMENT

The Scheme monitors capital on the basis of the value of net assets attributable to investors. The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for investors and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Scheme may adjust the amount of distributions paid to investors. There are no externally imposed capital requirements on the Scheme.

12.2 FINANCIAL RISK MANAGEMENT

The Scheme's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Scheme's risk management are to identify all key risk for the Scheme, measure these risks, manage the risk positions and determine capital allocations. The Scheme regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Scheme's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Scheme's financial performance. The Scheme defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The risks arising from financial instruments to which the Scheme is exposed are financial risks, which include credit risk, liquidity risk and market risk which are discussed below. Market risk has been identified as the most significant risk to the Scheme.

The portfolio's financial instruments consist mainly of underlying listed investments, cash and cash equivalents, trade receivables, index securities as well as trade and other payables.

12.3 MARKET RISK

Market risk exists where significant changes in equity prices will affect the value of the portfolio's index securities. The fund's investment mandate is to passively manage the portfolio. As a result it is subjected to a similar nature and level of market risk as the benchmark portfolio.

There is no guarantee that the Scheme's portfolios will achieve its investment objective of perfectly tracking the index. The value of the portfolio index securities and distributions payable by the Scheme's portfolio will rise and fall as the capital values of the underlying securities housed in the portfolio and the income flowing therein fluctuates. Prospective investors should be prepared for the possibility that they may sustain a loss.

The Scheme's portfolios may not be able to perfectly replicate the performance of an index because

- The fund is liable for certain costs and expenses not taken into account in the calculation of the index, this is applicable to a total return index;
- Certain Index constituents may become temporarily unavailable; or
- Other extraordinary circumstances may result in a deviation from precise index weightings.

12. RISK MANAGEMENT (continued)

12.3 MARKET RISK (continued)

Price Sensitivity Analysis

All the investments of the Scheme's portfolios are listed on the JSE. Index securities are created with an objective to track the performance of specific portfolio indexes (customized indexes).

Any movement or adjustment in the specific portfolio index will have an impact on the price of the investment in the portfolio. At any point in time the market value of one unit in the portfolio may be expected to reflect 1/1000th of the index level, plus an amount which reflects the pro rata portion of any accrued distribution amount within the portfolio.

Actual market values may be affected by supply and demand and other market factors, however the ability of a holder to switch out of any ETF portfolio securities by redeeming them in specie for one or more baskets of the constituent securities, should operate to substantially avoid or minimize any differential which may otherwise arise between relevant baskets and the value at which any portfolio securities trade from time to time.

The SWIX 40 Index Securities of R18 449 935 (2016: R14 941 072) is affected by price fluctuations

At reporting date a 10% increase in the value of the investments in the portfolio's security will increase the index and resulting increase in assets attributable to investors of the portfolio by R1 844 994 (2016: R1 494 107).

At reporting date a 10% decrease in the value of the investments in the portfolio's security will decrease the index and resulting increase in assets attributable to investors of the portfolio by R1 844 994 (2016: R1 494 107).

12.4 INVESTMENT RISK

There can be no assurance that the investment in portfolios will achieve their investment objectives of replicating the price performance of the portfolio index securities. The net asset value of the portfolio index securities will rise and fall as the value of the portfolio fluctuates. The return achieved on portfolio index securities can be expected to fluctuate in response to changes in the return achieved by the underlying portfolio.

On a quarterly basis, the index is adjusted to ensure that the constituent companies in the index are the top performing companies. Thus adjustments, such as removing a company that is not performing well or a change in the weighting of the shares, are performed.

The following factors could negatively impact on the investment portfolios:

- Certain costs and expenses incurred by the portfolio could cause the underlying portfolio to mistrack against the index;
- Temporary unavailability of securities in the secondary market or other extraordinary circumstances could cause deviations from the exact weightings of the index
- In circumstances where securities comprising the Index are suspended from trading or other market disruptions occur, it may be impossible to rebalance the portfolio of securities held by the portfolio and this may result in a tracking error.

12. RISK MANAGEMENT(continued)

12.5 SECONDARY TRADING RISK

There can be no guarantee that the portfolio index will remain listed on the JSE Ltd. Despite the presence of market makers, the liquidity of the portfolio index securities cannot be guaranteed. The portfolio index securities may trade at a discount or premium to their net asset value (NAV). Any termination of a listing would be subject to the JSE Limited listing requirements.

12.6 INTEREST RATE RISK

Interest Rate Sensitivity

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows.

The cash balances within the portfolio of **R74 479** (2016: R73 344) are affected by interest rate fluctuations.

At reporting date a 1% decrease in the interest rate will decrease the net assets attributable to investors of the portfolio by **R745** (2016: R733).

At reporting date a 1% increase in the interest rate will increase the net assets attributable to investors of the portfolio by **R745** (2016: R733).

12.7 CREDIT RISK

Credit risk is the risk of financial loss to the Scheme if a party to a financial instrument fails to meet its contractual obligations resulting in a financial loss to the scheme. Credit risk arises from trade receivables and cash and cash equivalents. The carrying amounts of trade receivables and cash and cash equivalents represent the maximum exposure.

Risk limits, control and mitigation policies: The credit risk relating to the trade receivables is limited as it relates mainly to interest income receivable on cash balances held with reputable financial institutions and dividend receivable which are receivable from listed securities.

Maximum credit risk	2017 R	2016 R
Trade and other receivables	7 037	72
Cash and cash equivalents	74 479	73 344
	81 516	73 416

Financial assets stratification and analysis

The credit quality of all financial assets that are neither past due nor impaired are regarded as financially strong as they are issued by reputable, high performing JSE listed entities.

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
Notes to the annual financial statements (continued)
for the year ended 31 December 2017

12. RISK MANAGEMENT (continued)

12.8 LIQUIDITY RISK

Liquidity risk results from both the differences between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. Liquidity risk management deals with the overall time profile of the current financial position as well as the expected future structure.

Liquidity risk management process: The availability of funding through liquid cash positions with various institutions ensures that the Scheme has the ability to fund day-to-day operations.

During rebalancing, proceeds received from the sale of selected constituent are utilised to buy a basket of selected constituent. The approach to managing liquidity risk is to ensure that the portfolio would be able to pay suitable distributions or deemed distribution to investors on a quarterly basis. All dividend distributions or deemed distribution are approved by the Trustee and calculated by the administrators.

All of the portfolios' securities are listed instruments and are bought and sold in the JSE Limited through a JSE member. The participatory interest in the portfolio securities can be sold to the market maker, which is obliged to buy them from the investor.

Market makers will attempt to maintain a high degree of liquidity through continuously offering to buy and sell all the Scheme's portfolio participatory interests at prices around net asset value of the participatory interest, thereby ensuring tight buy and sell spreads. Under normal circumstances and conditions the investor will be able to buy or sell the portfolio securities from the market makers.

Per the Trust Deed, the managing Scheme can sell the underlying portfolio assets to meet any short or long term obligation and can borrow up to 10% of the market value of the underlying assets. The following tables represent the maturity analysis of the financial liabilities:

	On demand R	0-12 months R	Total R
2017			
Trade and other payables	-	42	42
SWIX 40 Index Securities	18 531 409	-	18 531 409
	18 531 409	42	18 531 451
2016			
Trade and other payables	-	2 337	2 337
SWIX 40 Index Securities	15 012 151	-	15 012 151
	15 012 151	2 337	15 014 488

13. FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES HELD AT FAIR VALUE

13.1 FAIR VALUE HIERARCHY

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from quoted prices in active markets and inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The valuation technique applied in order to value Level 2 financial instruments is the Net Asset value, which is linked to the price of the underlying market traded instruments.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below shows the portfolio's financial instruments that are recognised and subsequently measured at fair value analysed by levels of the fair value hierarchy. The classification of instruments is based on the lowest level input that is significant to the fair value measurement in its entirety. All the fair values disclosed are recurring fair value measurements. The table below sets out the fair value of Level 1 and Level 2 assets, adjusted for credit risk as appropriate:

	Level 1 R	Level 2 R	Level 3 R
2017			
Recurring fair value measurements			
Financial Instruments			
Designated as at Fair Value Through Profit and Loss			
Investment in listed shares	18 449 935	-	-
Net assets attributable to investors	-	(18 531 409)	-
	<u>18 449 935</u>	<u>(18 531 409)</u>	<u>-</u>
2016			
Recurring fair value measurements			
Financial Instruments			
Designated as at Fair Value Through Profit and Loss			
Investment in listed shares	14 941 072	-	-
Net assets attributable to investors	-	(15 012 151)	-
	<u>14 941 072</u>	<u>(15 012 151)</u>	<u>-</u>

13.2 FAIR VALUE VERSUS CARRYING AMOUNT OF FINANCIAL INSTRUMENTS NOT HELD AT FAIR VALUE

The fair value of the cash and cash equivalents, trade and other receivables and trade and other payables approximates the carrying value because the instruments are short term in nature. There has been no change in fair values as a result of a change in credit risk.

14. SEGMENTAL REPORTING

The investment vehicle offers only one product, being the specific exchange traded fund, tracking the specific identified index.

Information regarding the results of the reportable segment is disclosed in the financial statements as currently set out, thus no further IFRS 8 disclosure is required.

15. RELATED PARTIES

NewFunds (RF) Proprietary Limited, a subsidiary of Absa Bank Limited, has been established to act as an agent for all management and administrative services in respect of the Scheme's portfolios. The fees payable to them have been included in management and administration expenses.

Standard Bank of South Africa Limited is the trustee of the Scheme at a contractually agreed amount and is remunerated for services.

Ultimate holding company: Barclays Africa Group Limited.

Key Management Personnel

The Scheme's key management personnel are the trustees listed in the Trustee's Report and the directors of NewFunds (RF) Proprietary Limited who act as an agent for all management and administrative services in respect of NewFunds CIS portfolios.

Other than trustee fees and management fees paid to NewFunds (RF) Proprietary Limited, there were no material transactions with key management personnel or their families during the year.

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40 INDEX ETF PORTFOLIO
Notes to the annual financial statements (continued)
for the year ended 31 December 2017

15. RELATED PARTIES (continued)	Interest Income	Admin and management fees paid	Portfolio Investment	Cash and Cash Equivalents	Trade and Other Receivables	Trade and Other Payables	Participatory Interest Held
	R	R	R	R	R	R	R
2017							
NewFunds (RF) Proprietary Limited		(39 932)	434 956				(5 002 849)
Barclays Africa Group Limited		(11 098)	912 754	74 479	92	(42)	
Standard Bank of South Africa Limited	7 287						
2016							
NewFunds (RF) Proprietary Limited		(46 864)	261 638		72	(451)	(3 813 842)
Barclays Africa Group Limited		(16 791)	662 085	73 344			
Standard Bank of South Africa Limited	8 727						

16. DISTRIBUTIONS

The Index Securities will effect quarterly distributions after paying all the accrued expenses of the NewFunds Collective Investment Scheme. All distributions are made out of the income of each ETF portfolio.

The quarterly record dates are 24 March 2017, 23 June 2017, 29 September 2017 and 26 January 2018. Holders of the ETF securities ("investors") recorded in the register on the above record dates were entitled to the respective distribution declared.

During the period under review the following distributions were effected by the scheme:

	2017 R	2016 R
2017: 5.00 cents per security declared on 13 April 2017 and re-invested on 20 April 2017. <i> #(2016 : 4.59 cents per security declared on 15 April 2016 and re-invested on 20 April 2016)</i>	50 000	45 917
2017: 10.00 cents per security declared on 13 July 2017 and re-invested 18 July 2017. <i> #(2016 : 6.00 cents per security declared on 21 July 2016 and re-invested 26 July 2016)</i>	100 000	60 000
2017: 0.00 cents per security declared on 19 October 2017 and re-invested 24 October 2017. <i> #(2016 : 9.00 cents per security declared on 13 October 2016 and re-invested 18 October 2016)</i>	-	90 000
	150 000	195 917
2017: 0.40 cents per security declared on 18 January 2018 and re-invested 29 January 2018. <i> #(2016 : 0.00 cents per security declared on 16 January 2017 and re-invested 19 January 2017)</i>	40 000	-

#In the prior year the announcement date was used. However, in the current year the declaration date was used as this is more relevant to the users of the financial statements.

17. QUARTELY REVIEW OF PORTFOLIO PRICES

	31 March (cents)	30 June (cents)	30 September (cents)	31 December (cents)
2017				
SWIX 40 Index Securities	1 547	1 571	1 669	1 850
2016				
SWIX 40 Index Securities	1 571	1 591	1 581	1 498

18. EVENTS AFTER REPORTING DATE

Distributions occurred post year end, refer to Note 16.

19. NEW ACCOUNTING PRONOUNCEMENTS

Adoption of new and revised Standards

During the current year, the Scheme has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2017. The adoption of these new and revised standards and interpretations has not resulted in material changes to the Scheme's accounting policies.

The Scheme adopted the following standards, interpretations and amended standards during the year:

IAS 7	<i>Statement of Cash Flows</i> - Amendments as result of the Disclosure Initiative. Additional disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
IAS 12	<i>Income Taxes</i> - Amendments regarding the recognition of deferred tax assets for unrealised losses.

Annual improvements (2014- 2016 cycle)

Non-urgent but necessary clarifications and amendments to the following standards of IFRS:

IFRS 12	<i>Disclosure of Interests in Other Entities</i>
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19. NEW ACCOUNTING PRONOUNCEMENTS (continued)

New and revised International Financial Reporting Standards issued not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

Standard	Annual periods beginning on or after
IFRS 4 <i>Insurance contracts</i> - Applying IFRS 9 Financial instruments (amendments) allow an entity that issues insurance contracts the opportunity to utilize two options - where IFRS 9 is applied prior to the forthcoming insurance contracts standard. These are (a) the overlay approach - which permits an insurer to reclassify certain income/expenditure, arising from designated financial instruments, from profit or loss to other comprehensive income, and (b) the deferral approach - temporary exemption from IFRS 9 for insurers whose predominant activity is issuing insurance contracts.	1 January 2018
IFRS 9 <i>Financial Instruments</i> - A new accounting standard that represents a package of reforms to financial instrument accounting was issued in July 2014. IFRS 9 replaces the previous standard on financial instruments, IAS 39.	1 January 2018
<p>IFRS 9 will lead to significant changes in the accounting for financial instruments. The key changes relate to:</p> <p><i>Financial assets:</i> Financial assets will be measured at either fair value through profit or loss or amortised cost, except for debt instruments meeting specific criteria, which are required to be measured at fair value through other comprehensive income, or equity investments not held for trading, which may be measured at fair value through other comprehensive income;</p> <p><i>Financial liabilities:</i> The accounting for financial liabilities is largely unchanged, except for non-derivative financial liabilities designated at fair value through profit or loss. Gains and losses on such financial liabilities arising from own credit risk will be presented in other comprehensive income rather than in profit or loss;</p> <p><i>Impairment:</i> Credit losses expected at the reporting date (rather than only losses incurred in the year) on loans and advances, debt securities, loan commitments and financial guarantee contracts not held at fair value through profit or loss will be reflected in impairment allowances.</p> <p>Given the nature of the Scheme's financial instruments, the adoption of IFRS 9 is not expected to have a significant impact on the Scheme.</p>	

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SWIX 40

Notes to the annual financial statements (continued)

for the year ended 31 December 2017

19. NEW ACCOUNTING PRONOUNCEMENTS (continued)

	Standard	Annual periods beginning on or after
IFRS 15	<i>Revenue from Contracts with Customers</i> - A new accounting standard that provides a single, principle based, five-step model to be applied to all contracts with customers. New disclosures about revenue are also introduced. The adoption of IFRS 15 is not expected to have a significant impact on the Scheme.	1 January 2018
IAS 40	<i>Investment Properties</i> - Amendments regarding when an entity should transfer property into, or out of, investment property	1 January 2018
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i> - Amendments clarifying the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	1 January 2018
IFRIC23	<i>Uncertainty Over Income Tax Treatments</i> - Interpretation clarifying the accounting for uncertainties in income taxes.	1 January 2019
IFRS 17	<i>Insurance Contracts</i> - a new insurance accounting standard which establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts.	1 January 2021
IFRS 16	<i>Leases</i> - A new accounting standard that eliminates the classification of leases as either operating leases or finance leases for lessees and, instead, introduces a single accounting model, which recognises all leases on the statement of financial position.	1 January 2019

Apart from the instances detailed above, the Scheme is in the process of assessing the potential impact that the adoption of these standards and interpretations may have on its future financial performance or disclosures in the annual financial statements.