



## NewGold and NewPlat Exchange Traded Funds

# ETFs – an introduction

## What are ETFs?

An exchange-traded fund (or ETF) is an investment vehicle traded on a stock exchange, much like shares. Most ETFs are passively managed index funds which normally track an index, with their main objective being to participate in the economic growth of an industry sector or commodity, such as platinum or gold.

ETFs generally provide the attraction of the returns of a traditional tracker fund (like unit trusts) with the liquidity of a listed security. ETFs are traded at prevailing market prices, which are approximately the same price as the net asset value of their underlying assets over the course of the trading day. Profits (or losses) are made from the difference between the buying and selling price of the ETF. Like any other security, ETFs do, however, carry the risk of losing rather than gaining money. Individual investors should view ETFs as core, long-term investments.

## What benefits do ETFs bring to your portfolio?

- Diversified investment - ETFs give investors a straightforward and inexpensive way to obtain a broad exposure to a given index, sector or commodity.
- Tradability - ETFs provide investors with the ability to gain exposure to a broad market in one transaction as they trade on a stock exchange throughout the trading day.
- Transparent - As the holdings of an ETF closely mirror the underlying index it tracks as a benchmark, this provides investors with a greater degree of financial transparency.
- Protection – ETF securities are fully hedged by underlying assets, such as physical platinum or gold bullion. The physical assets are securely held in the vault of an independent custodian. Additionally, ETFs are fully regulated by the exchange on which they are traded.
- Low Cost - Because ETFs are passive investments and are designed to closely track the performance of their respective benchmarks, they have less frequent portfolio changes than actively managed funds, making them less expensive to operate.



# NewGold

## Fund overview

Absa's Corporate and Investment Banking division's ETF – NewGold – was first listed on the ETF sector of the JSE in 2004. At launch, it was only the third commodity ETF in the world and was, until recently, the only commodity ETF on the JSE.

NewGold continuously tracks the gold price and enables investors to invest in a listed instrument (structured as a debenture) in which each security is equivalent to approximately 1/100 ounces of real gold held in a secured stockpile of gold bullion.

NewGold debentures are listed on the JSE Limited (JSE) and can be easily obtained through a JSE member stockbroker or the NewGold Investment Plans.

Since launch NewGold has grown rapidly, attracting over R21 billion investment, due to its healthy returns. It is the largest ETF listed on the JSE.

NewGold is the first and only product in South Africa through which institutional and retail investors can securely invest directly in gold bullion, with the added benefit of minimal administrative fees.

Fund Facts	
Issuer	NewGold Issuer Limited
Manager	NewGold Manager (Pty) Ltd
Originators	Absa Bank Limited acting through the Absa Corporate and Investment Banking division
Listing	JSE Limited (JSE)
Sector	Exchange Traded Fund
JSE Code	GLD
ISIN	ZAE000060067
Gold Entitlement	Approximately 1/100th one fine troy ounce of gold
Investment Rationale	GLD are designed to track the spot gold price less management fees

The Underlying Assets	
Allocated Gold	All gold is kept in the form of 400 oz London Good Delivery Bars. The gold is kept in an allocated form, and as such does not carry third party credit risk
Custodian	The gold is kept in the vault of the Custodian, Brink's Limited



# NewPlat ETF

## Fund overview

Following the success of its NewGold ETF, NewGold Issuer Limited (RF) has recently brought to market a new ETF, in the form of NewGold Platinum Debentures ('NewPlat ETF'). Sponsored by Absa's Corporate and Investment Banking division, NewPlat ETF is the only ETF on the JSE that provides investors with the opportunity to obtain exposure to the Rand performance of platinum.

Listed on the main board of the JSE in its ETF sub-sector in April 2013, each NewPlat ETF debenture is fully backed by physical platinum - approximately equivalent to 1/100th of a fine troy ounce of platinum bullion. The platinum underlying NewPlat ETF is of South African origin and is stored in the London/Zurich Good Delivery Form.

Held by NewGold's custodian, Barclays, in a secure depository on behalf of investors, the platinum is fully insured, allocated and cannot be lent out. The physical platinum is independently audited by NewGold's auditors, Ernst & Young, and holds at least 99.95% purity.

NewPlat ETFs are easily obtained through a JSE member stockbroker and the Investment Plan administered by Absa Investment Management Services (AIMS). As with NewGold, NewPlat incurs minimal management fees.

### Fund Facts

Issuer	NewGold Issuer Limited (RF)
Manager	NewGold Manager (Pty) Ltd
Originators	Absa Bank Limited acting through the Absa Corporate and Investment Banking division
Trustees	Maitland Trust Limited
Listing	JSE Limited (JSE)
Sector	Exchange Traded Fund
JSE Code	NGPLT
ISIN	ZAE000177580
Platinum Entitlement	Approximately 1/100th one fine troy ounce of platinum
Investment Rationale	NGPLT are designed to track the spot platinum price, in rand, less management fees

### The Underlying Assets

Allocated Platinum	All platinum bars are kept in London/Zurich Good Delivery Form. The platinum is kept in an allocated form, and as such does not carry third party credit risk
Custodian	The platinum is kept in the vault of the Custodian, Barclays

# Understanding NewGold and NewPlat ETFs

## Features

### *Accessibility*

NewGold and NewPlat ETF debentures are listed on the JSE.

### *Security*

All bullion that underlies the ETFs is securely held in allocated form and is fully insured. No lending activities will be entered into.

### *Cost-effective*

Compared to traditional methods of purchasing and selling gold or platinum, these ETFs offer a cost-effective way to get exposure to these precious metals.

### *Liquidity*

The liquidity on the JSE is underpinned by the liquidity in the 'over-the-counter' (OTC) gold and platinum markets. Absa's Corporate and Investment Banking division is the market maker for NewGold and NewPlat.

## Why NewGold?

### *Diversification of investment risk*

Gold has low to negative correlation with other asset classes, making it an excellent portfolio diversifier.

### *Long-term inflation protection*

Historically, gold has always retained value. Over the long-term gold has delivered inflation-beating returns.

### *Protection against Rand depreciation*

Gold is an excellent South African Rand hedge as well as a hedge against US Dollar depreciation.

### *A low risk investment compared to gold stocks*

Over the years investment in actual gold has proven to be notably less volatile than the returns on gold equities.

## Potential risks associated with ETFs

- ETFs operate on the principle that in the medium-to long-term, tracking specific markets, indices or commodities offer better after-cost returns than traditional actively managed funds. They should not be viewed as short-term investments.
- The value of an investment in an ETF may go up as well as down as the market, or index that the ETF is tracking, changes.
- ETFs are not capital protected and therefore investors may not get back the amount invested. ETFs also have other investment embedded risks like other instruments which include general market risks, interest rate risks, exchange rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

## Why NewPlat?

### *Diversification of investment risk*

Like gold, platinum has a low to negative correlation with other asset classes, also making it an excellent portfolio diversifier

### *Rare commodity*

Evidence suggests that platinum provides long-term investment stability as it is a rarer substance than gold or silver.

### *Strong demand*

The demand for platinum seems unlikely to deteriorate, due to the scarcity of the substance and its use in both industrial processes and precious jewellery.

### *Domestic investment*

Previously, South African investors were only able to access platinum exposure through Exchange Traded Notes, which are classified as offshore investments. NewPlat ETFs are classified as a domestic investment meaning that it does not affect the relative foreign exposure limits applicable to retail, institutional investors and Authorised Dealers.

## Benefits of the NewGold and NewPlat ETFs

### *Market performance*

Because NewGold and NewPlat ETFs are based on physical bullion they offer a market related performance or return.

### *Easy to trade*

These ETFs offer the flexibility to buy and sell during JSE trading hours.

### *Easy to track*

Investors can keep track of the amount of bullion held by the NewGold Issuer, number of securities in issue and the net asset value online at [absacapitaletfs.com](http://absacapitaletfs.com).

### *Low Fee Structure*

Management fee: 0.4% p.a., accrued daily and debited in gold or platinum.

Brokerage and statutory fees: standard brokerage fees apply.

## Certified Shari'ah Compliant

NewGold and NewPlat ETFs are non-interest based products investing directly in gold and platinum bullion, respectively.

In 2008, Absa Bank's Shari'ah Board, made up of specialised jurists in Shari'ah Islamic Law, issued a ruling stating that NewGold complies with Shari'ah. As such it conforms with Islamic principles of ethical investing.

The issuing company, NewGold Issuer Pty (Ltd), is incorporated for the sole purpose of issuing securities backed by the physical commodity of the relevant debenture and is not involved in any activities that are not permitted under Shari'ah Law.

NewGold and NewPlat ETFs open the way for Muslim investors to gain exposure to precious metals – gold and platinum – through investing in a listed ETF.



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