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to ETFs

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Certified
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Exchange-Traded Funds



Navigate the road to a **diversified
pan-African investment portfolio**
with our ETFs

The bravery to imagine. That's Africanacity.

An introduction to Exchange-Traded Funds (ETFs)

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.

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 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. To increase the level of investor protections, ETFs are also regulated by capital market authorities in addition to regulation by the exchanges. The level of regulations depends on the market of primary or secondary listings.

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.



The NewGold ETF

Fund overview

NewGold was first listed on the ETF sector of the Johannesburg Stock Exchange (JSE) in 2004. At launch, it was the third commodity ETF in the world.

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 ounce of real gold held in a secured stockpile of gold bullion, less the annual charge of 0.3%.

NewGold ETF is primarily listed on the JSE with secondary listings in various other African exchanges including Botswana Stock Exchange (BSE), Nairobi Stock Exchange (NSE), Ghana Stock Exchange (GSE), Nigeria Stock Exchange (NSE), Namibia Stock Exchange (NSX) and Mauritius Stock Exchange (SEM).

Since launch, NewGold has grown rapidly, attracting over R21 billion investments (the highest asset under management achieved), due to its healthy returns. It has been the largest ETF in the JSE for many years, and at the time of publishing the brochure in 2020, it was still the largest. NewGold has been the first ETF to be launched in all the exchanges of secondary listing.

NewGold is the first 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

Issue	NewGold Issuer (RF) Limited
Manager	NewGold Manager (Pty) Ltd
Originators	Absa Bank Limited acting through the Absa Corporate and Investment Banking (CIB) division
Primary listing	JSE Limited (JSE)
Sector	Exchange Traded Fund
JSE	Code GLD
ISIN	ZAE000060067
Secondary stock exchange listing codes	BSE – GLD; NSX – GLD; NSE (Kenya) – GLD.E000; SEM – NGLD MP; NSE (Nigeria) – NewGold; GSE - GLD
Gold entitlement	Approximately 1/100th one fine troy ounce of gold
Investment rationale	GLD is designed to track the spot gold price, less annual charge of 0.3%

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, Standard Bank ICBC.



Understanding NewGold ETFs

Features

Accessibility

NewGold ETF debentures are listed on the JSE and various other African exchanges.

Security

All bullion that underlies the ETFs is securely held in allocated form and is adequately insured. Though NewGold is allowed to lend, it has decided not to lend its metal.

Cost-effective

Compared to traditional methods of purchasing and selling gold, the 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 CIB division is the market maker for NewGold, and in terms of the listing requirement it must provide liquidity to all markets where NewGold is listed.

Why NewGold?

Diversification of investment risk

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

Long-term inflation protection

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

Protection against local currency depreciation

Gold is an excellent local currency 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.

Benefits of the NewGold ETFs

Market performance

Because NewGold ETFs are based on physical bullion, it offers a market-related performance or return.

Easy to trade

These ETFs offer the flexibility to buy and sell during the exchange 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 <http://etfcib.absa.co.za>.

Low fee structure

NewGold is one of the most cost-effective gold ETFs in the world. In 2020, it reduced its annual charge by 25% and will continue to review its charges to ensure its accessibility to all investors. The fund annual charge is 0.3% per annum accrued daily and debited in gold. Standard brokerage fees apply.

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 risk, exchange rate risk, inflationary risk, liquidity risk, and legal and regulatory risks.



The NewPlatinum ETF

Fund overview

NewPlatinum was first listed on the ETF sector of the JSE in 2013.

NewPlatinum continuously tracks the platinum price and enables investors to invest in a listed instrument (structured as a debenture) in which each security is equivalent to approximately 1/100 of an ounce of platinum held in a custody account with our global custodian, ICBC in London UK.

NewPlatinum ETF is primarily listed on the JSE with secondary listings on the Botswana Stock Exchange (BSE) and Namibia Stock Exchange (NSX).

Since launch, NewPlatinum has grown rapidly with over R5 billion in assets under management, due to its positive underlying price activity and investor appetite.

NewPlatinum is one of the precious metals ETFs through which institutional and retail investors can securely invest directly in platinum bullion, with the added benefit of minimal administrative fees.

Fund facts

Issuer	NewGold Issuer (RF) Limited
Manager	NewGold Manager (Pty) Ltd
Originators	Absa Bank Limited acting through the Absa Corporate and Investment Banking (CIB) division
Primary listing	JSE Limited (JSE)
Sector	Exchange Traded Fund
Share code	Code NGPLT
ISIN	ZAE000177580
Secondary stock exchange listing codes	BSE – NewPlat; NSX – NGPLT
Platinum entitlement	Approximately 1/100th ounces of platinum
Investment rationale	NewPlatinum is designed to track the spot platinum price less annual charge of 0.345%

The underlying assets

Physical platinum	The platinum is kept in physical form, and as such does not carry third-party credit risk
Custodian	The platinum is kept in the vault of the Custodian, ICBC Bank



Other salient features of the platinum ETF

Accessibility

NewPlatinum ETF debentures are secondary listed on the JSE and various other African exchanges.

Security

All Metal that underlies the ETFs is securely held in allocated physical form and is adequately insured. Though the NewPlatinum portfolio is allowed to lend, it has not participated in any lending.

Cost-effective

Compared to traditional methods of purchasing and selling platinum, the ETF offers a cost-effective way to obtain exposure to this rare metal.

Liquidity

Absa's CIB division is the market maker for NewPlatinum, and in terms of the listing requirement it provides conditional liquidity to all markets where NewPlatinum is listed based on the liquidity of its underlying components.

***N.B. please note no liquidity will be provided on South Africa public holidays.**

Why NewPlatinum?

Protection against local currency depreciation

Platinum is an excellent local currency hedge as well as a hedge against US dollar depreciation.

A low-risk investment compared to platinum stocks

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

Benefits of the NewPlatinum ETFs

Market performance

Because the NewPlatinum ETF is based on physical platinum, it offers a market-related performance or return.

Easy to trade

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

Easy to track

Investors can keep track of the amount of platinum held by the NewGold Issuer, number of securities in issue, and the net asset value online at <https://aiss.absa.africa/>.

Low fee structure

NewPlatinum is one of the most cost-effective ETFs in Africa. The fund's annual charge is 0.345% per annum accrued daily and processed by the decay in the NAV. Brokerage and statutory fees apply.

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 or down. As with all listed shares or the underlying reference assets, the price of the ETF is driven by demand and supply.
- ETFs are not capital protected and therefore investors may not get back the amount invested. ETFs also have other investment embedded risks, which include general market risks, interest-rate risk, exchange rate risk, inflationary risk, liquidity risk, and legal and regulatory risks.



The NewPalladium ETF

Fund overview

NewPalladium was first listed on the ETF sector of the JSE in 2014.

NewPalladium continuously tracks the palladium price and enables investors to invest in a listed instrument (structured as a debenture) in which each security is equivalent to approximately 1/100 of an ounce of palladium held in a custody account with our global custodian, ICBC in London UK.

NewPalladium ETF is primarily listed on the JSE with secondary listings on the Botswana Stock Exchange (BSE) and Namibia Stock Exchange (NSX).

Since launch, NewPalladium has grown rapidly with R365 million assets under management, due to its positive underlying price activity and investor appetite.

NewPalladium is one of the precious metals ETFs through which institutional and retail investors can securely invest directly in palladium bullion, with the added benefit of minimal administrative fees.

Fund facts

Issuer	NewGold Issuer (RF) Limited
Manager	NewGold Manager (Pty) Ltd
Originators	Absa Bank Limited acting through the Absa CIB division
Primary listing	JSE Limited (JSE)
Sector	Exchange Traded Fund
Share code	Code NGPLD
ISIN	ZAE000182507
Secondary stock exchange listing codes	BSE – NewPall; NSX – NGPLD
Palladium entitlement	Approximately 1/100th ounces of palladium
Investment rationale	NewPalladium is designed to track the spot palladium price less annual charge of 0.345%

The underlying assets

Physical palladium	The palladium is kept in physical form, and as such does not carry third-party credit risk
Custodian	The palladium is kept in the vault of the Custodian, ICBC Bank

Other salient features of the Palladium ETF

Accessibility

NewPalladium ETF debentures are secondary listed on the Botswana Stock Exchange and various other African exchanges.

Security

All metal that underlies the ETFs is securely held in allocated physical form and is adequately insured. Though the NewPalladium portfolio is allowed to lend, it has not participated in any lending.

Cost-effective

Compared to traditional methods of purchasing and selling palladium, the ETF offers a cost-effective way to obtain exposure to palladium.

Liquidity

Absa's CIB division is the market maker for NewPalladium, and in terms of the listing requirement it provides conditional liquidity to all markets where NewPalladium is listed based on the liquidity of its underlying components.

***N.B. please note no liquidity will be provided on South Africa public holidays.**

Why NewPalladium?

Protection against local currency depreciation

Palladium is an excellent local currency hedge as well as a hedge against US dollar depreciation.

A low-risk investment compared to palladium stocks

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

Benefits of the NewPalladium ETFs

Market performance

Because the NewPalladium ETF is based on physical palladium, it offers a market-related performance or return.

Easy to trade

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

Easy to track

Investors can keep track of the amount of palladium held by the NewGold Issuer, number of securities in issue, and the net asset value online at <https://aiss.absa.africa/>.

Low fee structure

NewPalladium is one of the most cost-effective ETFs in Africa. The fund's annual charge is 0.345% per annum accrued daily and processed by the decay in the NAV. Brokerage and statutory fees apply.

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 or down. As with all listed shares or the underlying reference assets, the price of the ETF is driven by demand and supply.
- ETFs are not capital protected and therefore investors may not get back the amount invested. ETFs also have other investment embedded risks, which include general market risks, interest-rate risk, exchange rate risk, inflationary risk, liquidity risk, and legal and regulatory risks.



Certified Shari'ah Compliant

NewPalladium is a non-interest-based product investing directly in palladium.

In 2014, Absa Bank's Shari'ah Board, made up of specialised jurists in Shari'ah Islamic Law, issued a ruling stating that NewPalladium ETF complies with Shari'ah Law. As such, it conforms with Islamic principles of ethical investing.

The issuing company, NewGold Issuer (RF) Limited, 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.

NewPalladium ETFs open the way for Muslim investors to gain exposure to palladium through investing in the listed ETF.



Contact us

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If you have any questions about this investment or any other Absa investments, please contact your financial adviser.

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