

SATRIX – AMONGST THE LOWEST COST ETFs IN THE WORLD

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Satrix securities are listed on and trade as Exchange Traded Funds on the Main Board of the JSE. An Exchange Traded Fund offers the investor the convenience and low risk of buying a portfolio of shares with a single transaction.

For instance, the Satrix 40 is a product which tracks the FTSE/JSE Top 40 index. It provides the investor with the total return of the pure blue chip companies in the Top 40 index. Instead of having to invest in each of these forty companies separately – and paying brokerage, tax and settlement charges forty times – the investor in Satrix pays these charges only once. A further benefit is that the purchase of an ETF is not subject to Uncertificated Securities Tax (UST), which the investors would pay with the purchase of the actual top 40 shares on the JSE.

Accordingly, by purchasing a Satrix security, the investor obtains a diversified portfolio of the major shares making up the index, but with the added benefit of significant cost savings.

The critical element then is the efficiency of the ETF in providing the returns of the market, without this being blunted by the costs of running the ETF product. This is called the **tracking error** and it measures the extent to which the ETF product does not provide the investor with the total return (capital plus dividend) of the index being tracked. In 2006, the five JSE listed Satrix products had the following tracking errors.

Tracking Error	
	Basis points
Satrix 40	2,1
Satrix Fini	2,6
Satrix Indi	1,5
Satrix Swix Top 40	13,9
Satrix Resi	6,5
<i>Audited figures in 2006 Financial Statements</i>	

For the purposes of comparison, Exchange Traded Funds in the USA that track equity indices have an average tracking error of 40 basis points and in Europe, the average tracking error for ETFs is 47 basis points. Clearly, the Satrix products are amongst the most efficient in world financial markets.

Satrix ETFs therefore provide the investor with the total return of the main JSE indices at an exceptionally low tracking error. When the overall market performs as well as in the past three to four years, for many investors an index tracking investment such as Satrix provides the ideal vehicle to share in the stockmarket's success. The three and one year performances, of the three Satrix products that have been available over this period, are shown below. Only a limited number of active fund managers have been able to exceed this performance over the period.

SATRIX PERFORMANCE*		
(% Returns)		
	1 Year	3 Year (Per Annum)
Satrix 40	40,4	36,1
Satrix Indi	40,4	39,3
Satrix Fini	35,5	36,5
* Includes reinvestment of dividends.		
<i>Source: Unit Trust Survey (December 2006).</i>		

In order to purchase or sell Satrix securities, such transactions need to be processed through JSE member stockbrokers, in which case the brokerage charge and settlement fees for such transactions need to be paid to the broker. For investors who do not have stockbroking accounts, the Satrix Investment Plan carries charges of 0,1% brokerage for all purchases and sales and the administrator levies an annual management fee of 1,0% per annum. These charges are not included in the calculation of tracking error, as they vary from investor to investor.

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