



Investing for a world of change

Q&A: Exchange-traded funds



What is an ETF?

An ETF (exchange-traded fund) is a listed collective investment scheme that holds a diversified portfolio of assets such as stocks, bonds or commodities and trades on a stock exchange like a share in a company, offering investors real-time prices, trading and liquidity.



How does an actively managed ETF (AMETF) differ from a passive ETF?

The core distinction lies in their investment strategy and management approach.

- **Passive ETFs** are designed to systematically track and replicate the performance of a specific market index (e.g. S&P 500, FTSE/JSE Top 40) by holding the index's constituents in similar proportions. Their objective is to mirror the benchmark's return.
- **Actively managed ETFs**, conversely, employ professional portfolio management expertise. Their objective is to **outperform** a designated benchmark or achieve a predefined return profile through discretionary decisions such as stock or security selection, sector allocation, asset allocation and/or tactical adjustments based on market conditions.



What are the benefits of an actively managed ETF?

Actively managed ETFs combine the benefits of active management with the structure of an ETF. Their benefits include:

- Potential for outperformance: The ability to potentially generate returns higher than a benchmark.
- Professional active management to capture opportunities and manage risk.
- Diversification and portfolio construction: Building a balanced mix of investments across different asset classes helps reduce risk. This includes sizing each position appropriately and ensuring that the various exposures work together to create a well-constructed, resilient portfolio.
- Intraday liquidity: The ability to buy and sell throughout the trading day.



What are the differences between an actively managed ETF and a unit trust?

- Intraday trading: ETFs can be bought or sold throughout the day (while the stock exchange is open) whereas unit trust transactions are processed once daily, based on the end-of-day price.
- Lower investment minimums: You can invest from as little as the cost of a single ETF share. Some ETF platforms may even allow fractional share purchases, reducing the minimum investment further. Please check the minimums applicable to your chosen platform or stockbroker.
- Broader access: ETFs can be accessed directly via a stockbroker, through ETF investment platforms, or on certain traditional Linked Investment Service Provider (LISP) platforms, such as the Ninety One Investment Platform.

Ninety One seeks to provide flexible access to our core investment strategies. The same investment strategies will be available in both unit trust and ETF formats, with identical annual management fees, allowing investors to choose the structures that best suits their preferences and operational needs.



How do I buy an ETF?

- ETFs are bought and sold on the JSE like shares. Investors need to open a brokerage account with a JSE member. ETFs can be traded during JSE market hours. [Need help finding a broker?](#)
- Investors can also purchase ETFs via select LISP platforms such as Ninety One Investment Platform or via an ETF and online share-trading platforms (such as Easy Equities, ETFSA, Shyft and Vault 22).



What are the transaction costs associated with ETFs?

The explicit transaction costs of trading an ETF include brokerage fees (paid to your stockbroker on buying and selling the ETF). The buying or selling price also includes fees payable to the liquidity provider (or market maker). In addition, there are minor charges for the investor protection levy (IPL), STRATE settlement fees and VAT.

ETFs are exempt from securities transfer tax (STT).

Note: The specific fees will vary depending on your broker and the transaction details. It's always best to check with your broker for their current fee structure before placing a trade.



How often do active ETFs disclose their holdings?

Some ETFs disclose their underlying holdings daily, whilst others do so quarterly, within 30 days of the quarter end. Ninety One has aligned its disclosure frequency with that of its unit trusts and will disclose ETF holdings on a quarterly basis.



Are ETFs allowed in retirement funds, unit trusts and TFSAs?

ETFs are listed collective investment schemes and are therefore treated in the same way as unit trusts. They are generally permitted in unit trust portfolios, TFSAs, Regulation 28-compliant retirement funds and living annuities, subject to applicable exposure limits. Product provider restrictions may vary.



Can ETFs be used in model portfolios or platforms?

Yes. Many advisors use ETFs in model portfolios due to their ease of trading, transparent pricing, and low minimums. Please check platform availability and wrapper restrictions. Note that Fund of Funds and model portfolios must have custody and dealing facilities that support ETF trading, as not all platforms currently accommodate listed instruments.



How is liquidity managed and how do you ensure the ETF trades in line with NAV?

As with all ETFs, liquidity is supported by both the underlying holdings and secondary market trading. A liquidity provider is appointed by the issuer to help ensure investors can buy or sell the ETF on exchange at any time during market hours.

The creation and redemption mechanism keeps the ETF's market price closely aligned with its net asset value (NAV), while transparency is supported by the publication of intraday NAVs. An independent party, as required by the JSE and FSCA, calculates these intraday NAVs to ensure fair value and prevent conflicts of interest.

This process helps ensure that investors trade at prices that fairly reflect the value of the underlying portfolio.



How can I optimise ETF trading?

ETFs can be bought and sold throughout the day while the stock exchange is open. Best practice is to use limit orders, trade when the underlying markets are open and be mindful of spreads, especially at the open and close of the trading day.

Primary market creations and redemptions can also be negotiated and facilitated for large trades, subject to minimums.



How are ETF distributions taxed?

ETF distributions retain the nature of their underlying income sources, for example, local dividends, foreign dividends, interest income or REIT distributions.

The information provided is general in nature and should not be construed as tax advice. Taxation legislation and its interpretation may change.



How is the sale of ETFs taxed?

Under Section 9C of the Income Tax Act, receipts and accruals arising from the disposal of ETFs are deemed to be of a capital nature if the ETF has been held for a continuous period of at least 3 years before the sale.

For ETFs sold within three years, the tax implications will depend on individual circumstances. Any profit from the sale may be subject to income tax or capital gains tax.

ETFs are exempt from securities transfer tax (STT).

Prospective investors should seek independent legal, tax, and accounting advice tailored to their circumstances.

Ninety One accepts no responsibility for how any authority in any jurisdiction will treat the investment and makes no guarantees about its outcome.

The information provided is general information and should not be construed as tax advice. Taxation legislation and its interpretation may change.

Important information

Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CISs are traded at the ruling price and can engage in scrip lending and borrowing. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees, charges and maximum commissions is available on request from the Management Company. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used. The Fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. During the phase in period TER's do not include information gathered over a full year. Transaction Costs (TC) is the percentage of the value of the Fund incurred as costs relating to the buying and selling of the Fund's underlying assets. Transaction costs are a necessary cost in administering the Fund and impacts Fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Fund, investment decisions of the investment manager and the TER.

Exchange traded funds are listed on an exchange and may incur additional costs.

Though the Management Company has appointed Ninety One SA (Pty) Ltd, FSP 587, an authorised financial services provider, under the Financial Advisory and Intermediary Services Act, 2002 as its investment manager, the Management Company retains full legal responsibility for any third party-named portfolio. Where foreign securities are included in a portfolio there may be potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks, and potential limitations on the availability of market information. The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees.

Performance has been calculated using net NAV to NAV numbers with income reinvested .

Exchange Traded Funds vs Unit Trusts: Whilst both unit trusts and ETFs are regulated and registered under the Collective Investment Schemes Control Act, ETFs trade on stock exchanges just like any other listed, tradable security. Actively managed ETFs (AMETF) offer exposure to CIS and differ from other ETFs which track indices because the fund manager actively selects and adjusts the fund's holdings and asset allocation to try to outperform a benchmark. Unlike a unit trust, which can be bought or sold only at the end of the trading day, an ETF can be traded intraday, during exchange trading hours.

For any additional information such as fund prices, brochures and application forms please go to www.prescient.co.za.

This portfolio operates as a white label fund under the Prescient ETF Scheme, which is governed by the Collective Investment Schemes Control Act.

The Management Company may close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate.

The Management Company (Prescient) and Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Prescient and Ninety One are members of the Association for Savings and Investments South Africa.

This document is for information purposes only and does not constitute or form part of any offer to issue or sell or any solicitation of any offer to subscribe for or purchase any particular investments. This document must be read in conjunction with placing document or pricing supplement, which contains detailed information on the AMETF. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of, or which may be attributable directly or indirectly to the use of or reliance upon the information.

*as at 30 September 2025

36 Hans Strijdom Avenue
Foreshore, Cape Town 8001
Telephone: +27 (0)21 901 1000
Client service support: 0860 500 100
Email: comcentre@ninetyone.com

—
www.ninetyone.com
Follow us on X @ninetyone_sa