intellidex
Researching Capital Markets and Financial Services

ETF Insights.

Prepared for clients of EasyEquities

Analyst: Sabelo Mnisi

Satrix Nasdaq 100 Feeder ETF(JSE:STXNDQ)

31.03.2023

Fund suitability

This ETF is suitable for investors with a high risk appetite seeking exposure to offshore-listed stocks.

Fees

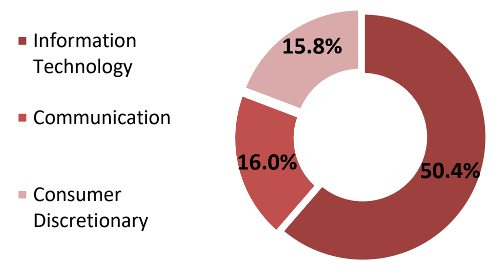
The fund has a total expense ratio of 0.48%.

Alternative funds

None

"Tech companies have been disruptors and assisted companies and individuals around the globe to navigate and cope during the pandemic."

Sector allocation– top 3 (%)



Markets have fared better this year than last year on risk and return metrics. Most indices are in positive territory and the volatility index is down 16% year-to-date. Technology stocks are often more volatile, therefore lower volatility should benefit them to some extent.

Investment environment

The US is home to some of the world's largest technology and financial companies. The Nasdaq 100 Index excludes financial companies, which means that the index is dominated by global tech companies such as Amazon, Google, Apple, Microsoft, Netflix and Tesla – knowns as the FAANG stocks. Following its 32% loss in 2022, this index posted its best January performance since 2001, beginning the year with a 10.7% gain. The index is up 19% year-to-date.

The outstanding performance of the index can be attributed to the market's expectation of moderate inflation and benign interest rate increases from the Federal Reserve. Other factors include the re-opening of China, to which the index has significant exposure.

As a result, this week we are reviewing the **Satrix Nasdaq 100 Feeder ETF**. This ETF tracks the performance of the Nasdaq 100 Index in rand. The Nasdaq 100 measures the performance of the 100 largest US and international non-financial stocks listed on the Nasdaq stock market. The index's gains over the last five years were significantly driven by the FAANG stocks, accounting for about 30%. These stocks had a capital annual growth rate of 23%-40% during the period.

Tech companies have been disruptors and assisted companies and individuals around the globe to navigate and cope during the pandemic. As a result, there has been a renewed focus on tech stocks.

Unlike the Nasdaq 100, the S&P 500 is made up of stocks of the 500 biggest US listed companies. These companies account for more than 80% of the total market capitalisation of the companies listed on the US stock exchange. Although the S&P 500 Index includes the tech sector, it does so on a smaller scale, contributing less than 30%. In addition, the S&P 500 represents over 11 sectors.

The dollar, which has a significant bearing on the performance of the companies listed on Nasdaq 100, has given up some of its gains this year, as evidenced by the Dollar Index which is down 2.4% year-to-date. This should benefit not only US tech companies but companies around the globe that import goods from the US. A strong dollar increases prices of dollar denominated goods particularly for customers outside the US, which dampens revenue growth for US companies.

Apple, in which the fund has its highest weighting, stated that it faced a difficult December quarter last year due to significant foreign exchange headwinds and supply chain disruptions for its latest iPhone models. The company's revenue for Q1 2023 declined to $117.2bn from $123.9 year-on-year, while earnings per share fell to $1.88 from $2.10 in the corresponding quarter in 2022.

Although the dollar has depreciated modestly this year which should help companies such as Apple, significant challenges remain on the supply side. In its January 2023 report, the Business Continuity Institute stated that the biggest threat to the supply chain has been staff shortages and it is expected to be a cause for concern over the next five years. The availability of products such as microchips, which are essential to manufacturing tech goods, will be undermined, which might weigh on tech companies.

Overall, this fund is suitable for investors who have high risk tolerance and seek exposure to offshore-listed stocks. While the Nasdaq 100 has outperformed the S&P 500 over the last 15 years, it has experienced sharper losses.

For example, the Nasdaq 100 ended 2022 on -32.4% while the S&P 500 had a loss of 18.1%. One-year annualised rolling volatility of the Nasdaq 100 averaged 2.5% higher than the S&P 500 between 31 December 2007 and 31 December 2022, according to Nasdaq.

This ETF has returned 0.81% over the last year and 22.8% since inception. It has significant portfolio size of R3bn, which implies that it can withstand market volatility. It has a steep total expense ratio of 0.48% and is the only JSE-listed fund that tracks the Nasdaq 100.

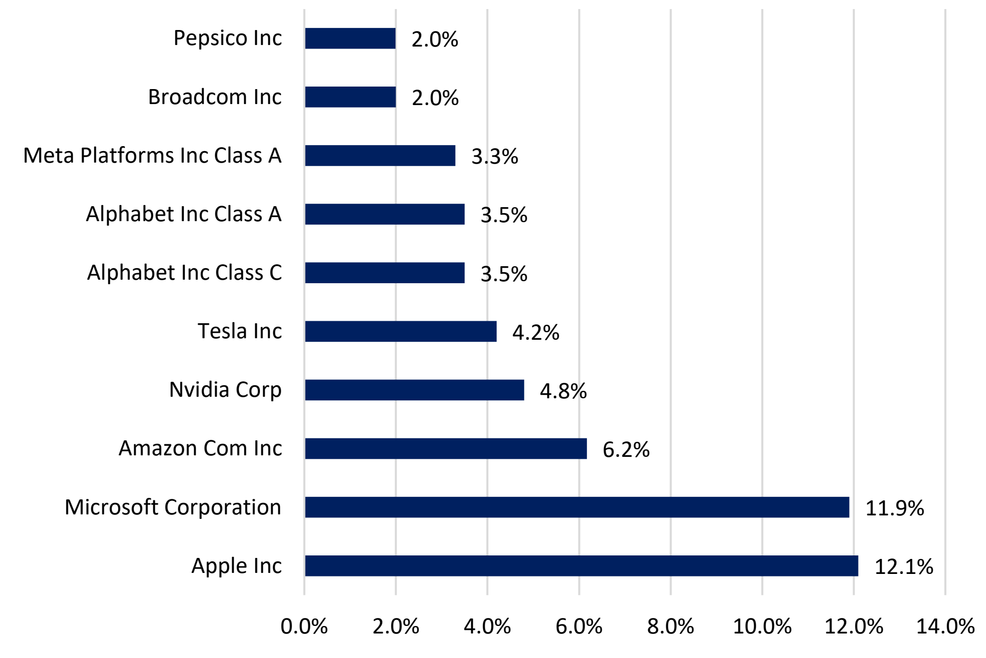
Investment term of the week: Dollar Index

The Dollar Index is a measure of the value of the dollar relative to a basket of six currencies which are the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

Investment approach and portfolio composition

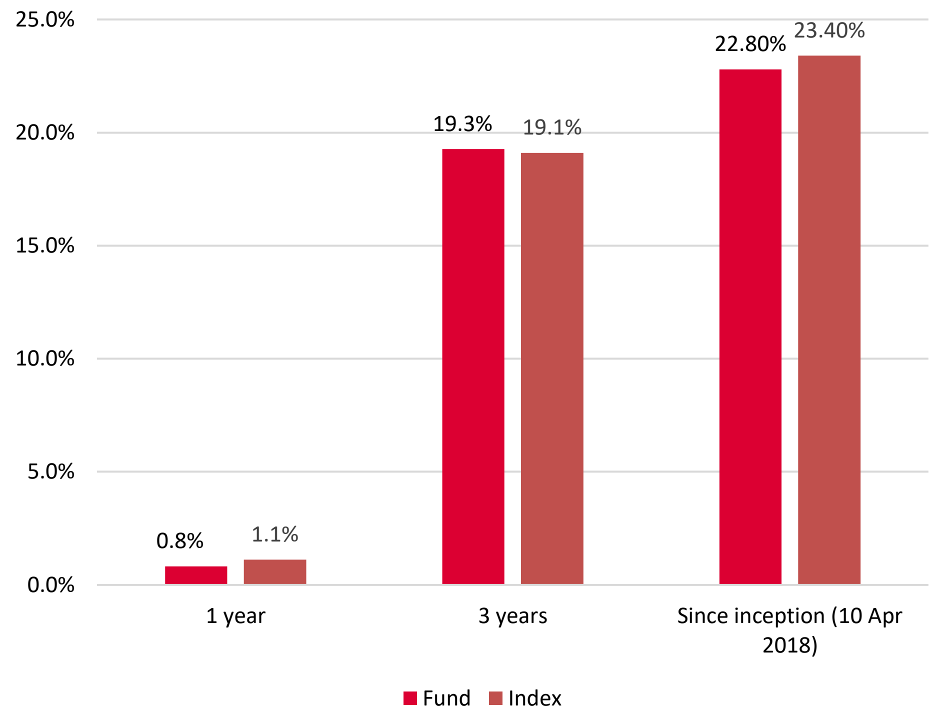
The Satrix Nasdaq 100 Feeder ETF tracks the value of the Nasdaq 100 Index in rands, which includes large and midcap tech stocks.

Top holdings (%)



Performance

Index performance to end-February 2023 (annualised for periods longer than one year; with dividends reinvested)



Fund information as at 28 February 2023

Launch date	10 April 2018
Trading symbol (JSE)	STXNDQ
Weighted average market cap.	R3bn
Total expense ratio	0.48%
Risk rating	High
Benchmark	NASDAQ 100 Index

Market data: 30 March 2023

Spot price	R130.24
12-month high	R135.00
12-month low	R101.01
Average monthly volume	44,286
Gross dividend yield	N/A

Source: Infront, yahoo finance