



# FAQs

Get exposure to top global shares from just R10 without moving your money offshore.

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## Understanding FNB ETNs

### 1. What are FNB ETNs?

FNB has a range of locally listed exchange-traded notes (ETNs) that track the performance of globally listed shares. An example is the FNB ETN on Netflix. This ETN tracks the performance of the globally listed Netflix share on the New York Stock Exchange. If the Netflix share price increases so will the local FNB ETN on Netflix. By investing in the FNB ETN on Netflix you benefit from the movement of the global Netflix share without having to take your money offshore.

### 2. Why are FNB ETNs so exciting?

FNB can help you with exposure to top global shares such as Amazon, Microsoft, Apple, Tesla and more from as little as R10, without having to take your money offshore.

### 3. Do I need to take my money offshore?

No. FNB ETNs are listed on the JSE. No funds are taken offshore and thus no costs associated with traditional offshore investing are incurred. Kindly note that you do not use your foreign allowance.

### 4. Do I need to convert my money into foreign currency?

No. FNB ETNs are listed on the JSE. No currency conversion is required.

### 5. How much do I need to invest?

With FNB you can invest from as little as R10. However, each product may stipulate different minimum investment amounts.

### 6. Am I buying a global share?

No, you are not investing in the global shares listed on the global exchange. You are investing in a local FNB ETN that tracks the performance of the globally listed share.

### 7. Do I always invest in rands?

Yes, you are investing in an ETN listed on the JSE in rands.

### 8. How does this affect my annual offshore allowance?

Because you are not taking any funds offshore, you will not be making use of your annual offshore allowance at all. You benefit from the movement of the globally listed share without having to ever take your funds offshore.

### 9. How do I search for the FNB ETNs on the relevant platforms?

When logged in, simply search for FNB ETN. All FNB ETNs available will be displayed.

### 10. What FNB ETNs are available?

FNB will be launching 20 FNB ETNS to start with and more ETNs will be released regularly. We will also be adding shares from different global exchanges. Quanto and Compo for each of the below:

- FNB ETN on Alphabet
  - FNB ETN on Amazon
  - FNB ETN on Apple
  - FNB ETN on Coca-Cola
  - FNB ETN on Facebook
  - FNB ETN on McDonald's
  - FNB ETN on Microsoft
  - FNB ETN on I Shares Core MSCI World
  - FNB ETN on Netflix
  - FNB ETN on Tesla
- The first 10 were listed on the 1 Oct and these include Alphabet (Google's parent company) Apple, Amazon, Facebook, Microsoft, Netflix, Tesla, Coca-Cola, and McDonald's.
  - The second 10 will be listed in November.
  - The FNB listing brings the number of ETNs listed on the JSE to 51 with the exchange reflecting an overall market capitalisation of R16.3 trillion.

### 11. Where can I check how a share has performed?

You can see this on your share trading platform or you can google it.

### 12. Are there two types of FNB ETNs? One with currency exposure and one without?

FNB allows clients to track the globally listed share performance with or without currency exposure. This gives you the choice of whether to have the rand/dollar exchange rate affect your investment or not. If the rand weakens against the dollar, the investment will benefit from the foreign currency gain. And the opposite if the rand gains strength on the dollar. FNB ETNs without currency exposure have a Q in the share code, i.e. FNB ETN on Netflix: FNBETNFLQ, and FNBs ETNs with currency exposure have a C in the share name i.e.: FNBETNFLC. Q means Quant and C means Composite.



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## Understanding FNB ETNs

### 13. What is the difference between Q and C in the share names?

Q refers to quanto and C to compo, i.e. without and with currency exposure respectively.

### 14. How long does it take for me to see what I have purchased on my profile?

This depends on the buy instruction. If at market and there is a match it is near immediate.

### 15. How does the pricing work; is it end of day or live?

This depend on if you have live pricing as an option. If so, it will be live, if not it will be 15 minutes delayed.

### 16. How do I get out of the share? How long does it take for the money to reach my account?

This depends on the sell instruction. If at market and there is a match, it is near immediate to settle in your trading account. if you wish to withdraw funds you will have to wait three days from date of selling.

### 17. Do I choose the price at which I sell or do I simply put an indicative price/order and does the system act on that price order?

This is dependent on the trading platform and options available. You can choose limit order which will execute at a specified price, or at market which will match at prevailing prices.

### 18. What do I get for tax filing? Do I get an IT3C? When will it be online or upon request?

You will receive an IT3c as the growth in your ETN will reflect a capital gain or loss. It will be available as per FNB guidelines.

### 19. When did FNB launch FNB ETNs?

On 1 October 2020.

### 20. What rewards do I earn when investing with FNB?

You can earn eBucks as per the eBucks rules.

### 21. What does the listing on the JSE mean?

FNB has listed ETNs that provide exposure to global shares. These ETNs can be traded by anyone that has a stockbroking account.

### 22. Can we lend against these FNB ETNs?

Yes you can.

### 23. Are these ETNs backed by underlying securities or derivatives?

No. ETNs promise an outcome and in this instance it is the performance of a globally listed stock.

### 24. Does the ETN track a benchmark?

No, it tracks the underlying share.

### 25. What is the tracking error associated with these ETNs?

The compo ETNs have a 1% tracking error and the quanto has no tracking error.

### 26. Will I receive dividends?

Dividends are reinvested and included in the NAV. These are total return ETNs.



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## ETNs in general

### 1. What are exchange-traded notes (ETNs)?

ETNs are debt instruments listed on the JSE that track the value of an underlying reference asset. They are an exchange-traded instrument that give investors exposure to a wide spectrum of assets or in individual asset in this case. Both institutional and individual investors looking to diversify and enhance the performance of their portfolios can use ETNs.

### 2. Understanding the two types of ETNs, Quanto (Q) and Compo (C)

#### 1. Quanto:

- These ETNs track the price of an underlying share (such as Apple) without taking the USD/ZAR exchange rate fluctuations into account. The price of the ETN increases or decreases in line with only the percentage movement in the underlying share. So, if Apple shares go up 10% in US dollars, the ETN will go up 10% in rands.
- The quanto pay-off allows an investor to separate the effects of share price performance from rand performance. An investor can hold a view on an underlying share purely on the merits of that share, and gain USD/ZAR exposure separately in a manner that is appropriate for currency investing.

#### 2. Compo:

- These ETNs track the price of both an underlying share as well as the USD/ZAR exchange rate. So, if the Apple share goes up 10% in US dollars and the rand weakens by 10%, an investor will be on the receiving end of a 20% move. Likewise, if the Apple share goes up 10% in US dollars and the rand strengthens by 20%, the investor stands to lose 10%.
- By contrast, the compo pay-off will also allow investors to combine the effects of a ZAR/USD view with a view on the underlying stock. The effect of this is that when the currency weakens simultaneously with the underlying share gaining, the return to the investor is amplified. However, if the currency strengthens while the underlying stock loses value, the negative effect is also amplified. There is also the possibility that a gain/loss in the underlying share could offset the gain/loss in the currency.

### 3. What are the benefits of ETNs in general?

ETNs allow you to have a vested interest in a variety of securities while not having to outlay the capital to acquire the securities themselves. If investors are mindful of which issuers they choose to invest with, ETNs offer increased diversification and investment opportunities in local markets.

Although ETNs are still relatively new products in the South African exchange-listed market having been launched in 2010, they bring a new dimension to exchange-traded products as well as offer their own unique characteristics to the South African investment world.

The product is useful in granting individual investors exposure to assets that are difficult to access as an individual investor.

### 4. What are the benefits of FNB ETNs?

The FNB ETNs have the following features:

1. **Affordability** – the ETNs have all initially listed at R10, giving investors very affordable exposure to foreign shares;
2. **Exchange control** – does not use individual or corporate allowance;
3. **Choice of pay-offs** between quanto and compo; and
4. **Global icons** – the ETNs provide investors with exposure to some of the world's biggest and most well-known companies.



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## Share code table

ETN	Short Name	Short Code
Alphabet - C	FNBETNALC	ALETNC
Alphabet - Q	FNBETNALQ	ALETNQ
Amazon - C	FNBETNAMC	AMETNC
Amazon - Q	FNBETNAMQ	AMETNQ
Apple - C	FNBETNAPC	APETNC
Apple - Q	FNBETNAPQ	APETNQ
Coke - C	FNBETNCOC	COETNC
Coke - Q	FNBETNCOQ	COETNQ
Facebook - C	FNBETNFBC	FAETNC
Facebook - Q	FNBETNFBQ	FAETNQ
iShares Core MSCI World ETF - C	FNBETNMWC	MWETNC
iShares Core MSCI World ETF - Q	FNBETNMWQ	MWETNQ
McDonalds - C	FNBETNMCC	MCETNC
McDonalds - Q	FNBETNMCQ	MCETNQ
Microsoft - C	FNBETNMSC	MSETNC
Microsoft - Q	FNBETNMSQ	MSETNQ
Netflix - C	FNBETNFLC	NFETNC
Netflix - Q	FNBETNFLQ	NFETNQ
Tesla - C	FNBETNTSC	TSETNC
Tesla - Q	FNBETNTSQ	TSETNQ

**Contact details** FNB Wealth and Investments: [shareinvesting@fnb.co.za](mailto:shareinvesting@fnb.co.za)

For full disclosure on all technical information please check the listing document on the following website: <https://www.firststrand.co.za/investors/debt-investor-centre/prospectuses-and-programme-memoranda/>

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