

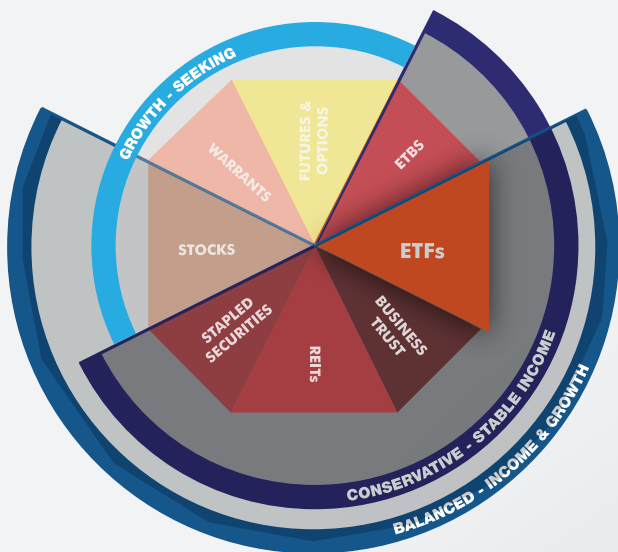
# Exchange Traded Funds

## ETFs

Listed on  
Bursa Malaysia



# WHICH TYPE OF INVESTOR ARE YOU?



Every investor has different goals, and your approach to achieving them depends on your risk/return appetite.

You can find your trading type on this chart and consider products that are suitable for your portfolio.

# WHAT ARE EXCHANGE TRADED FUNDS (ETFs)?



ETF is an open-ended fund listed or traded on a stock exchange. It tracks an index representing a basket of securities, bonds, commodities and a variety of other assets. With a single transaction, investors can potentially gain instant exposure to any market, region, sector, asset class or investment strategy.

Since debuting in the early 1990s, ETFs have risen in popularity. The global market for ETFs has seen tremendous growth, with assets under management expected to exceed US\$9 trillion by 2022. The rise and growing popularity amongst investors of all types is due to the many advantages ETFs have over other traditional investment products.

Investing in ETFs can lead to many new opportunities. Including ETFs in your portfolio is not only easy, but less costly than building a portfolio by making multiple individual investments.

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## WHAT ARE THE CHARACTERISTICS OF **ETFs**?

ETF REPLICATES THE PERFORMANCE OF A BENCHMARK INDEX BUT TRADES ON AN EXCHANGE LIKE A STOCK. ESSENTIALLY, ETFs COMBINE THE CHARACTERISTICS OF AN INDEX FUND AND A STOCK.

### **1. EXPOSURE TO A BASKET OF SECURITIES**

By investing in ETFs, investors gain exposure to a basket of securities represented in an index through a single transaction. The basket of securities could consist of either equities, fixed income, commodities or a combination of asset classes.

### **2. PASSIVELY MANAGED**

ETF is designed to replicate the performance of an underlying index. Rebalancing of the fund only takes place when there is a change of constituents or weightings in the underlying index, for example, quarterly or semi-annually.

### **3. TRADE LIKE STOCKS**

Since ETFs are bought and sold on an exchange, they are priced and traded throughout the day. There is no minimum investment amount for ETFs. Just like stocks, ETFs are traded in minimum board lots of 100 units.

# WHAT ARE THE BENEFITS OF **ETFs**?

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FOR MANY YEARS, TRADITIONAL MUTUAL FUNDS AND UNIT TRUSTS HAVE OFFERED INVESTORS MANY ADVANTAGES: BROAD DIVERSIFICATION, PROFESSIONAL MANAGEMENT, RELATIVELY LOW COSTS AND DAILY LIQUIDITY. ETFs TAKE THESE BENEFITS TO THE NEXT LEVEL.

## **1. SIMPLICITY OF TRADING**

With a single transaction, investors gain instant diversification to a pool of securities or assets. Thus, investing in ETFs offers an easy and efficient way to participate in regional and international markets, which may not be easily accessible.

## **2. GOOD VALUE WITH LOWER COSTS**

The transaction costs of ETFs are generally lower than those of unit trusts as ETFs do not impose sales charges and have lower management fees (<1% compared to unit trust funds). This is because ETFs are passively-managed and do not require stock analysis.

## **3. FULLY TRANSPARENT**

The portfolio holdings of an ETF are fully visible while the ETF prices are available in real-time throughout the trading day. Furthermore, issuers usually produce monthly factsheets to provide investors with updates on fund holdings and sector allocations.

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## WHAT ARE THE STRATEGIES AVAILABLE?

THROUGH ETFs, INVESTORS ENJOY AN INVESTMENT VEHICLE THAT CAN BE TAILORED TO THEIR SPECIFIC GOALS OR INVESTMENT STRATEGIES. BELOW ARE SOME EXAMPLES.

### 1. BROAD-MARKET ETFs

Often track a country's market index, providing exposure to a range of companies without focusing on any specific industry. Normally, if not via an ETF, this would require owning hundreds of securities and the need to rebalance the portfolio regularly. However, ETFs offer investors diverse exposure at a fraction of the cost.

### 2. SECTOR ETFs

Provide exposure to a group of companies based on their industry operating sector. Investors can participate in a specific sector ETF if they have a view that the sector will outperform the broad market.

### 3. FACTOR-BASED ETFs

Adopts an investment strategy that targets specific drivers of returns commonly known as factors. Investors therefore benefit from a unique investment strategy without having to build it themselves. Examples of popular factor-based ETFs include those focused on high dividend, low volatility, value stocks, or even Shariah-compliant factors.

# HOW DO **ETFs** COMPARE TO STOCKS AND UNIT TRUSTS?

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PRODUCT COMPARISON			
	ETFs	STOCKS	UNIT TRUSTS
Diversification	✓	×	✓
Real-time dissemination	✓	✓	×
Trade via	Broker	Broker	Agent
COST OF TRADING			
	ETFs	STOCKS	UNIT TRUSTS
Sales charge	×	×	✓
Brokerage commission / Clearing fee / Stamp duty	<1%	<1%	-
MANAGEMENT FEE			
	ETFs	STOCKS	UNIT TRUSTS
Management fee*	<1%	-	1-2%

\*The management fee is a standard feature of ETFs and unit trusts.  
The management fee is reflected in the Net Asset Value (NAV) and unit price of the ETF or unit trust.

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## HOW TO INVEST?

You need to open a CDS account and a trading account with a Participating Organisation i.e. a stockbroking firm registered in Malaysia. Head over to [www.bursamarketplace.com/t/opentradingaccount](http://www.bursamarketplace.com/t/opentradingaccount) and choose your stockbroker to start your investing journey today.



# FIND OUT MORE AND BECOME AN INFORMED INVESTOR



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