

WHAT IS AN EXCHANGE TRADED FUND ("ETF")?

- 1 An ETF is an open-ended investment fund that tracks the performance of a specific index.
- 2 ETF is a low-cost approach to investing as opposed to purchasing the individual underlying securities.
- 3 ETFs listed on Bursa Malaysia can offer you a wide range of geographical and asset class exposure, from US to China and ASEAN, and from stocks to bonds and gold.
- 4 ETF trades like a stock and is listed on a stock exchange. Quite simply, an ETF combines the features of a unit trust and a stock, offering you the best of both worlds.

WHY IS THE INDEX IMPORTANT?



The index is important as it will tell you what the ETF will be investing in, may it be a basket of stocks, bonds, commodities or other asset classes.

The index is typically provided by reputable index providers such as Bursa Malaysia, FTSE Russell, Dow Jones and MSCI.

In order to closely track the index performance, an ETF will usually buy and hold the securities that comprise the index's constituents based on their respective weights in that index.

BENEFITS OF INVESTING IN ETF

Transparent



The holdings of an ETF is updated daily and available on Bursa Malaysia's website.

Index Tracking



ETF aims to track the performance of an index as close as possible.

Ease of Transaction



ETF trades just like a stock. Can be bought and sold through your broker with continuous pricing throughout the trading hours.

Ease of Access



With ETFs, you can gain exposure to foreign markets or specific sectors where it can be more difficult to access directly.

Affordable



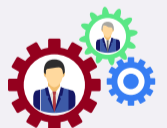
Low entry level to start investing. Invest in as little as 100 units.

Regulated



ETFs listed on Bursa Malaysia are regulated.

Instant Diversification



You know the saying "Don't put all your eggs in one basket"? Well, with ETF, a single trade offers you instant diversification with exposure to a portfolio of securities.

Reduced Cost



The management fee for an ETF is typically lower than a unit trust with similar strategy and exposure. Not to mention, you would likely incur much higher costs if you invest in individual shares directly.

ETF: A HYBRID BETWEEN FUNDS AND STOCKS

UNIT TRUST



Diversified Portfolio



Professionally Managed



Incurs Management Fee

ETF

STOCKS

Continuous pricing and liquidity throughout the trading day



Bought and sold through brokerage account



Can be margined and lent



ETF

VS

UNIT TRUST



Replicates an index



Generally passively managed



Market makers as Liquidity Providers



Typically at 1% or lower



None, but brokerage fees will apply



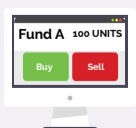
Real-time price



Can be traded intraday



Bursa Malaysia, Stock Exchange via your brokers



100 Units

Portfolio Holdings

Investment Strategy

Liquidity

Annual Management Fee

Sales Charge

Traded Price

Trading Frequency

Traded via

Minimum Investment

Based on portfolio manager's stock selection

Generally actively managed

Assured by manager

Between 1% - 2%

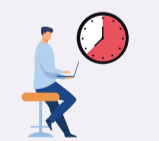
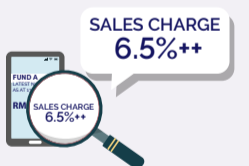
Can be up to 6.5%

Forward pricing

Traded at end of day NAV

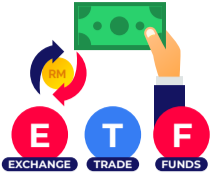
Sales agents, Online platforms

Typically RM 1,000



TYPES OF ETFs IN MALAYSIA

Below are the Malaysian-listed ETFs based on its strategy/asset class, and geographical focus:



Fixed Income ETF
(Malaysia)



Commodity / REIT ETF
(Asia Pac, Global)



Equity ETF
(Malaysia, South East Asia ("SEA") ASEAN, China)



Shariah Compliant Equity ETF
(Malaysia, SEA, China, US)



Leveraged & Inverse ETF
(Malaysia, Hong Kong, US)

HOW DO ETFs WORKS?

1 Manager



ETF is created by the Manager, also known as ETF Issuer. Their main role is in handling portfolio investments.

3 Market Makers



Market Makers are normally licensed investment bank or brokers appointed by the ETF Issuer. Their main role is to provide liquidity so that you can trade anytime during trading hours.

2 Participating Dealers



Participating Dealers "PDs" are typically your registered brokerage firms. The PDs assist in the creation and redemption of your units as investors of an ETF.

4 Trustees



Trustee's main function is to act as trustee and custodian of the ETF's assets and to safeguard your interest as investors of an ETF.

IMPORTANT FACTORS TO REVIEW WHILE SELECTING ETFs

A Underlying Index



Choose an index which gives you the exposure you want.

B Transaction Cost



When comparing ETFs from different exchanges, transaction costs may differ.

C Tracking Difference



Shows how well the Fund tracks the Index.

D Currency



If ETFs are listed on different exchanges, currency spreads should be taken into consideration.

E Liquidity



The availability of a market maker is important to ensure the buy/sell prices of an ETF are actively quoted throughout the trading session.

F Expense Ratio



When comparing ETFs with the same underlying index. Best to use with Tracking Difference.

WHAT DO YOU NEED TO KNOW BEFORE INVESTING IN ETFs?

You are advised to know of some key information before investing :

Investment objective and strategy of the ETF.

The index that the ETF is tracking.

Dividend policy.

Fees and charges.

ARE THERE ANY RISKS OF INVESTING IN ETFs?

ETFs are subjected to the same ups and downs of the market, and other risks e.g.



You may find further details regarding risks of investing in ETFs in the respective ETF's prospectus.

WHAT ARE THE TYPE OF RETURNS FROM INVESTING IN ETFs?

Investments in an ETF can potentially have two types of returns:

1 Capital Gains

You can trade ETF like a stock by buying it at a low price and selling it at a high price to realise profit.



2 Dividends

Dividends are normally distributed to ETF unit holders on a semi-annual or annual basis.



Important: Past performance is not an indication of future performance.

Learn more about ETF, visit www.bursamalaysia.com and www.bursamarketplace.com today.

For more information, please visit www.bursamarketplace.com/mkt/themarket/etf

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