

# EXCHANGE TRADED FUNDS (ETFs)

DANA DAGANGAN BURSA (ETF)  
交易所指数基金(ETFs)



# WHAT ARE EXCHANGE TRADED FUNDS (ETFs)?

ETFs invest in a group of stocks or bonds or other instruments which track the performance of an index. ETFs are listed and traded on a stock exchange.

## WHY INVEST IN ETFs?

### ■ TRADE LIKE STOCKS

Just like stocks, you can buy and sell anytime throughout the trading day;

### ■ FULLY TRANSPARENT

Prices are available real-time throughout the trading day. What's more - the investment portfolio is fully transparent as it tracks an index; and

### ■ EFFICIENT WAY TO DIVERSIFY

You can easily gain exposure to a group of securities – in a single transaction & at a lower cost compared to managed funds.

# ALL ABOUT INVESTING IN ETFs

## 1. How to invest in ETFs? Where to buy ETFs?

Similar to trading in stocks, you will require two accounts:

- A Central Depository System (CDS) account &
- A trading account maintained with a broker

You may buy or sell ETFs through your remiser or via online trading during normal trading hours.

## 2. What do I have to pay when buying and selling ETFs?

Like buying and selling stocks, investors need to pay brokerage commission, stamp duty and clearing fees.

## 3. What determines the price of an ETF?

The market price of an ETF is usually very close to the Net Asset Value (NAV) of the fund ie. market value of the underlying stocks and any net income not distributed. However, the price of an ETF can be affected by demand and supply in the market.

## 4. What are the expected returns?

Investment returns generally correspond to the price and yield performance of their underlying indices.

## 5. What is the minimum investment units?

ETFs are traded in minimum traded lots (board lots) of 100 units.

## 6. Do ETFs pay dividends?

Most ETFs pay dividends to their holders either half yearly or yearly. You are advised to refer to the distribution policy in the prospectus or offering document of the ETF.

## 7. How are transactions in ETFs settled?

In the same manner as share transactions ie. not later than 3 working (market) days after the transaction date (T+3).

## 8. Is there any risk?

Yes, investing in ETFs, as in investing in stocks, is subjected to the same ups and downs of the market. The performance of the ETF may be directly affected by the performance of its component stocks or bonds.

## 9. What should I do before investing in an ETF?

You are advised to know the following before investing:

- Investment objective & strategy of the ETF
- Information on the index that the ETF is tracking
- Dividend policy
- Fees & charges that will be borne by you as an investor
- Sources of trading information of the ETF
- Information about the management company

### PRODUCT COMPARISON

	ETFs	Stocks	Unit Trust
Diversification	√	X	√
Real-time dissemination	√	√	X
Trade via	Broker	Broker	Agent
Purchase of ETF / Stocks / Unit Trust	T+3	T+3*	Upfront

\* T+3 means the 3rd market / business day after trade date.

### COST OF TRADING ( as at 30 June 2007 )

	ETFs	Stocks	Unit Trust
Sales charge			3 – 5%
Brokerage commission / Clearing fee / Stamp duty	<1%	<1%	–

### MANAGEMENT FEE ( as at 30 June 2007 )

	ETFs	Stocks	Unit Trust
Management fee*	<1%	–	1 – 2%

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

### For more information

[www.bursamalaysia.com](http://www.bursamalaysia.com)

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