



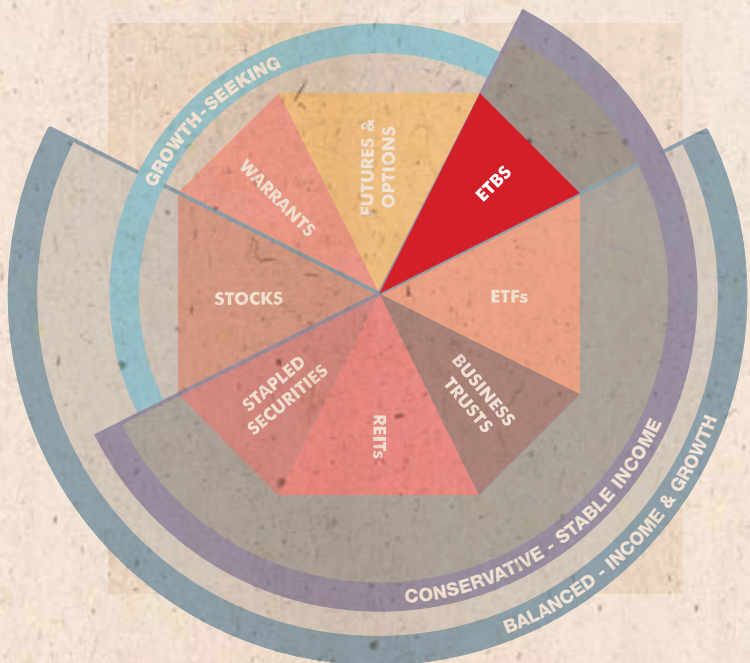
Lasting Stability. Future Prosperity.

ETBS

Exchange Traded Bonds
and Sukuk

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 investor type on this chart and then see what other products you might consider having in your portfolio besides the one in this brochure.

**THERE'S SOMETHING FOR
EVERYONE
ON BURSAMALAYSIA**

ETBS

Increasing accessibility of the bond and sukuk market to everyone.

Bonds and/or Sukuk have always been seen as an asset class to hedge when markets are bearish and a means to develop a steady income over many years. But in the past the bonds and/or sukuk market was accessible only to high net worth and institutional investors.

Now with ETBS, all investors can have access to the bonds and/or sukuk market with ease, via the stock market.

WHAT ARE ETBS?

ETBS are fixed income securities, also known as bonds or sukuk*, that are listed and traded on the stock market. ETBS are issued either by companies or governments (the issuer) to raise funds for their needs. ETBS have varying structures such as fixed rate, floating rate and hybrids.

* Sukuk refers to issues that complies with Shari'ah principles

WHY INVEST IN **ETBS?**

HERE ARE SOME OF THE REASONS TO INVEST IN ETBS:

Flexibility and Ease of Trading: ETBS are traded on Bursa Malaysia, making the buying and selling of ETBS as easy as trading in shares.

Transparency: As ETBS are listed on the bourse, investors will have access to real-time prices and volumes, just like shares. This will enable investors to continuously monitor their investments and receive up-to-date information.

Diversification: Investors can diversify their portfolio to include ETBS to complement their investments in other asset classes such as equities, derivatives, unit trusts, etc.

Additional Income Stream: Investors can benefit from a steady income stream through regular coupon payments.

WHAT ARE THE TERMINOLOGIES ASSOCIATED WITH ETBS?

ISSUER

A company or government organisation that issues bonds and/or sukuk to investors in order to raise funds for its operations, expansion or other needs.

ETBS HOLDER

The owner of a bond and/or sukuk asset.

PRINCIPAL

The amount borrowed by the issuer or the amount lent by investors. Typically, this is the value returned to the ETBS holder upon maturity. It is also known as nominal value, par value, redemption value or maturity value of a bonds and/or sukuk .

MATURITY DATE

The date when the ETBS issuer pays the principal amount to the holder. It is also known as redemption date.

COUPON

The interest amount the ETBS holder will receive above the principal amount. It is generally expressed as a percentage of the principal value.

COUPON FREQUENCY

The frequency with which coupon payments are made to ETBS holders.

TRUSTEE

A financial organisation that has been given fiduciary powers to ensure obligation of the bond contract is met between the ETBS issuer and the ETBS holder. They act in the interest of the ETBS holder.

GUARANTOR

The government, commercial or holding company that will act as a guarantor for the ETBS issuer in case of a default.

2

WHAT ARE THE FACTORS THAT DETERMINE THE PRICE OF AN ETBS?

Price and Yield

ETBS pricing and yield are primarily determined by the demand and supply in the marketplace. Investors want as high a yield or return for their investment as they can get, thus when ETBS prices are low, investors are willing to pay less for an ETBS and therefore getting a better yield. In contrast, a high ETBS price would mean returns are lower, as coupon payments for an ETBS are generally fixed to the principal value of the bond and/or sukuk .

Interest Rates

When interest rates change, ETBS prices change in response. This sensitivity to interest rates is one of the key influences on ETBS prices. Supposing the average interest rate available to investors goes up, the ETBS' current yield will become a less attractive investment. This would result in investor demand falling off, causing a decline in the ETBS price; until the point where the yield becomes competitive with prevailing rates. The reverse occurs if interest rates go down.

Risk

Investors must consider the credit risk of the issuing entity before investing in its ETBS. Essentially, credit risk is the likelihood that the issuing entity will or will not be able to repay principal amount and its interest elements at maturity.

This particularly applies to corporate ETBS, because corporations have more risk than most governments.

ETBS are evaluated and rated by several agencies, including Malaysian Rating Corporation Berhad (MARC) or Ratings Agency Malaysia Berhad (RAM) for Malaysia while Moody's and Standard & Poor's for international rating. A top rating (AAA) means the ETBS carries the least credit risk. If a company's rating is downgraded, the ETBS will normally fall in price because investors won't pay as much for them.

Maturity

The future is always less certain than the present. In the financial world, uncertainty translates into risk. Consequently, ETBS with long maturities have somewhat more risk and tend to be priced lower (or have higher yields).

As these ETBS eventually start to approach their maturity date, their prices start to get close to the par value. That's because investors know they will soon be getting their money, and little credit risk remains.

3

WHAT ARE THE MINIMUM INVESTMENT UNITS?

ETBS are traded in minimum board lot size of 10 units per lot size. Given the principal price of RM100.00 per unit, each board lot will cost RM1,000, excluding transaction costs.

4

WHAT ARE THE RISKS?

Credit risk

This risk arises if the ETBS issuer is unable to pay the coupon payment on the coupon date or the principal amount to the lender at maturity. Government bonds and/or sukuk are backed by the central government, thus deemed to have a low credit risk.

Market risk

This is the risk of price fluctuations and is impacted by the demand and supply in the market.

Interest rate risk

Valuation of the ETBS may be affected by the changes in interest rates e.g. if the interest rate rises, ETBS prices will fall as investors may relocate their investment to capture a rise in interest rates available in other instruments, for example, in bank deposit.

WHAT ARE MY CONSIDERATIONS BEFORE INVESTING IN ETBS?



Product Comparison

Bonds/Sukuk	Stocks
Bonds/Sukuk are Debt Securities	Stocks are Equity Securities
Bonds/Sukuk holder - they are the owner of a bond asset and do not have rights to the ownership of the company	Shareholder - an owner of the company
Steady flow of payments known as coupon/dividends	Dividend payments based on the policy and performance of the company
Generally less volatile	Impacted by market volatility and forces
Time limit or maturity period	Do not have a maturity period, unless delisted
Trade size is 10 units	Trade size is 100 units

** Bondholders/Sukukholders will rank higher than shareholders in recourse in the event of liquidation.*

6

GETTING STARTED

How to buy ETBS?

- Primary Market: By subscription, similar to applying for an IPO
- Secondary Market: Through your broker, similar to buying shares

How to sell ETBS?

- Similar to selling shares through your broker
- If held until maturity, investor will get back the nominal value of the bonds and/or sukuk on maturity date as well as the interest or dividend payable

How to make money from ETBS?

- Earn interest or dividend
- Capital gains – depending on market condition

For new investors, visit your nearest stock broking firm that is registered with Bursa Malaysia to open a securities trading account and a Central Depository System (CDS) account.

For more information visit www.bursamalaysia.com/etbs

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