

# ASX Exchange Traded Funds (ETFs) & ASX Exchange Traded Commodities (ETCs)

## Fact Sheet



ASX

AUSTRALIAN SECURITIES EXCHANGE

Exchange Traded Funds (ETFs) and Exchange Traded Commodities (ETCs) have emerged as one of the fastest growing investment products in the world. Since first launching in North America in 1989, ETFs have grown in popularity throughout North America, Europe, Asia and more recently, Australia.

### What are ETFs?

ETFs are listed managed funds providing investors with the opportunity to buy or sell a diversified portfolio of assets in a single transaction.

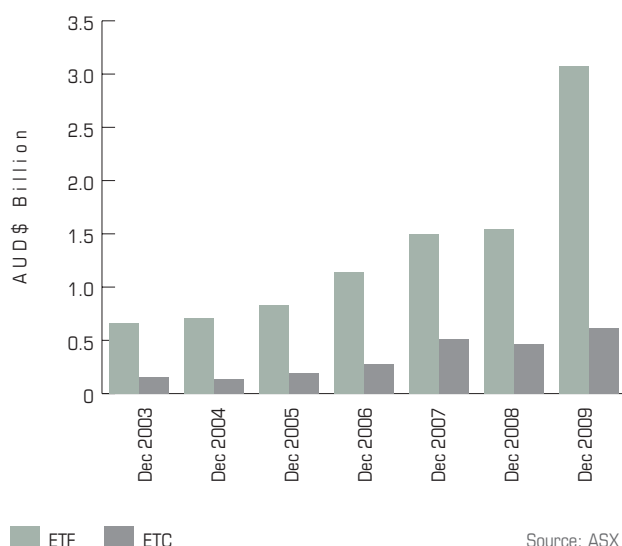
The underlying investments may include a variety of shares (domestic and international) and sector specific shares such as telecommunications, listed property and healthcare.

### What are ETCs?

ETCs track the price performance of an underlying physical commodity such as silver and gold or a commodity index allowing investors to gain direct exposure to the underlying assets without the need to trade futures or take physical delivery of the commodity.

Both ETFs and ETCs are designed to be a simple, cost-effective investment vehicle with comparatively low charges to investors because administration costs are reduced through the listed environment.

### Global growth in ETFs and ETCs



### What are the benefits of ETFs and ETCs?

#### Simple, easy diversification

ETFs and ETCs provide investors with the ability to simply and cost-effectively diversify their portfolio through a single security with minimal time and effort.

#### Low cost

Since ETFs and ETCs are typically able to achieve lower operating costs, the management fees are significantly lower than other unlisted alternatives such as managed funds. Lower management fees can enhance investor returns. Brokerage or an adviser fee may apply when buying or selling an ETF and ETC, just like shares.

#### Returns from capital appreciation and income

An ETF and ETC will change in value as the underlying portfolio changes in value and may provide income for investors through distributions. Investors may also enhance after tax returns from franking credits.

#### Fair value

ETFs and ETCs are designed to ensure that they trade close to their underlying value. This provides the investor with certainty that the on-market price will reflect the value of the assets held in the fund.

#### Taxation advantages

Particularly with indexed-based ETFs, the turnover of the underlying portfolio is low, reducing the level of capital gains incurred by investors and tax paid in the fund. An investor will determine their own tax consequences if and when they choose to sell the securities in the ETF or ETC – just as they would when selling a share.

#### Liquidity and transparency

Unlike unlisted managed funds and other forms of holding physical commodities, investors are able to enter and exit a fund during ASX trading hours and at a price quoted on ASX. Investors can also track the value of their investment on an intra-day basis.

# ETFs and ETCs LMI Fact Sheet

## Types of ASX ETFs/ETCs

There are different types of ETFs and ETCs traded on ASX. Investors can choose from:

- Domestic Index ETFs (tracking established indices)
- International Index ETFs (tracking key global and regional indices)
- ETC Commodities (including Gold, Palladium, Platinum)
- Sector Index ETFs (tracking key domestic and global sector indices)

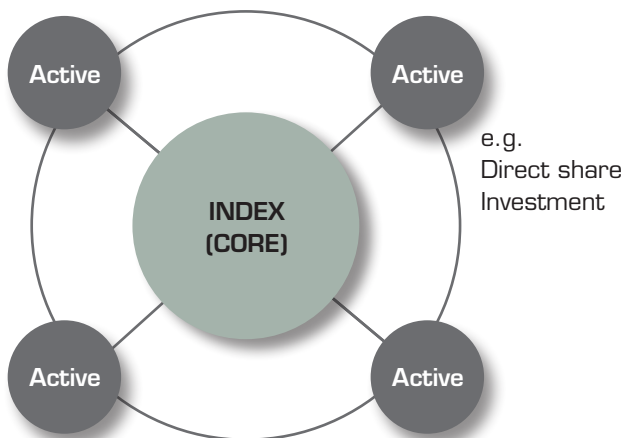
For a complete list of ETFs and ETCs visit [www.asx.com.au/etf](http://www.asx.com.au/etf)

## How can ASX ETFs and ETCs be used in your investment portfolio?

Investors can use ETFs and ETCs as an investment strategy for core equity holdings, sector plays, commodity or international exposures.

Under a core and satellite approach (as shown), investors build up a core exposure to an asset class to capture market return (known as 'beta') and then add to this with satellite additions to generate 'alpha', which are the returns higher than the market.

This approach can assist investors to reduce volatility while still providing an opportunity to generate above market returns.



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## Risks

As with any investment there are risks and as ETFs and ETCs are inextricably linked to the trend of the underlying asset being tracked, should that asset trend down, then the value of the ETF or ETC will also move down. Again, as an ETF or ETC does not have an 'active management' component, there will be no out performance of the underlying asset being tracked. The balancing feature here is that ETF and ETC managers do not receive performance fees for out performance.

## Additional Information

- For more information consult your adviser or visit [www.asx.com.au/etf](http://www.asx.com.au/etf) for investor education, product details, research, performance figures, news and prices
- Contact ASX customer service on 131 279 or email [info@asx.com.au](mailto:info@asx.com.au)

