

## MANAGED INVESTMENTS

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## EXCHANGE TRADED FUNDS (ETFs)

By Scott McKenzie

### Exchange Traded Funds (ETFs)

ETFs are like managed index funds in that they comprise a portfolio of stocks that reflect an index, but unlike index funds they can be bought and sold on the ASX.

They exist to provide portfolio diversification at a reasonable price, and to provide access to a variety of international markets: regional; single country; single sector; single/basket of commodities.

ETFs are the fastest growing segment of the market in managed investments, both in Australia and globally.

The ASX has an introductory video at <http://www.etfmate.com.au/asx>.

### ETFs in a portfolio

1. Core and satellite concept: core of ETFs plus satellite of other investments (hopefully to generate returns in excess of markets)
2. Core: Australian equities (e.g. VAS) and global (e.g. VTS and VEU) – Vanguard examples.
3. Core: Australian equities (ASX 20 + small caps + high dividend) and global (IOO) and emerging markets (IEM)
4. Satellites: single countries, single sectors (to complement Australian equities lack).

A good introduction to ETFs in a portfolio: <http://www.etfmate.com.au/How-to-Use-ETFs-When-Building-a-Portfolio>

## Producers of ETFs

1. iShares – [www.iShares.com.au](http://www.iShares.com.au)
2. Russell – [www.russell.com.au/etfs](http://www.russell.com.au/etfs)
3. Vanguard – [www.vanguard.com.au](http://www.vanguard.com.au)
4. Australian Index Investments (Aii) – [www.aii-etfs.com](http://www.aii-etfs.com)
5. State Streets Global (SPDR) – [www.spdrs.com.au](http://www.spdrs.com.au)
6. BetaShares – [www.betashares.com](http://www.betashares.com)

## Funds

1. Australian large caps
  - a. [SFY – SPDR S&P/ASX 50](#)
  - b. [STW – SPDR S&P/ASX 200](#)
  - c. [SYI – SPDR S&P MSCI Australia Select High Dividend](#)
  - d. [RDV – Russell High Dividend Australian Shares](#)
  - e. [VAS – S&P/ASX 300 Vanguard Australian Shares](#)
  - f. [IOZ – iShares MSCI Australia 200](#)
  - g. [ILC – iShares S&P/ASX 20](#)
  - h. [IHD – iShares S&P/ASX High Dividend](#)
2. Australian small caps
  - a. [ISO – S&P/ASX Small Ordinaries](#)
3. Australian property
  - a. [SLF – SPDR S&P/ASX 200 Listed Property](#)
  - b. [VAP – Vanguard Australian Property Securities](#)
4. Australian sectors
  - a. [ENY - Aii S&P/ASX 200 Energy](#)
  - b. [MAM - Aii S&P ASX 300 Metals and Mining](#)
  - c. [RSR - Aii S&P/ASX 200 Resources](#)
  - d. [IDD - Aii S&P/ASX 200 Industrials](#)
  - e. [FIN - Aii S&P/ASX 200 Financials](#)
  - f. [FIX - Aii S&P/ASX 200 Financials x-A-REIT](#)
  - g. [QFN – BetaShares S&P/ASX 200 Financials \(synthetic\)](#)
  - h. [QRE - BetaShares S&P/ASX 200 Resources \(synthetic\)](#)
5. Global
  - a. [IOO – iShares S&P Global 100](#)
  - b. [VEU – Vanguard FTSC All-World ex-US Shares](#)
6. Global sectors
  - a. [IXJ – iShares S&P Global Healthcare](#)
  - b. [IXP – iShares S&P Global Telecommunications](#)

- c. [IXI – iShares S&P Global Consumer Staples](#)
- 7. Global regions
  - a. [IEM – iShares MSCI Emerging Markets](#)
  - b. [IBK – iShares MSCI BRIC](#)
  - c. [IVE – iShares MSCI EAFE](#)
  - d. [IAA – iShares MSCI Asia 50](#)
  - e. [IEU – iShares MSCI Europe 350](#)
- 8. Currency
  - a. [USD – BetaShares U.S. Dollar ETF](#)
- 9. Single country
  - a. [IVV – iShares S&P 500 \(US\)](#)
  - b. [IJH – iShares S&P Midcap 400](#)
  - c. [IJR – iShares S&P Smallcap 600 \(US\)](#)
  - d. [IRU – iShares Russell 2000 \(US\)](#)
  - e. [IJP - iShares MSCI Japan](#)
  - f. [IHK – iShares Hong Kong](#)
  - g. [ISG – iShares Singapore](#)
  - h. [ITW – iShares Taiwan](#)
  - i. [IKO – iShares South Korea](#)
  - j. [IZZ – iShares FTSE/Xinhua China 25](#)
  - k. [VTX – Vanguard MSCI Broad Market \(US\).](#)
- 10. Commodities
  - a. [ETPMAG – physical silver](#)
  - b. [ETPMPT – physical platinum](#)
  - c. [ETPMPD – physical palladium](#)
  - d. [ETPMPPM – basket of precious metals](#)
  - e. [GOLD – physical gold.](#)

## Research on ETFs

TheETFmate site has plenty of research on ETFs:

- ASX research - <http://www.etfmate.com.au/asx>
- Research by various ETF producers - <http://www.etfmate.com.au/ETF-Issuers-Research>
- Independent research - <http://www.etfmate.com.au/Independent-ETF-Research>

ETFs are comparatively new to Australia, but if the pattern of acceptance occurs here like it has in the United States, then even more ETFs will be available and their take-up by investors will increase in a big way.

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