

## Frequently Asked Questions

### Websites of the respective ETF Issuers and Prospectuses

The following information can be obtained:

- ETF Prospectuses
- ETF Factsheet  
(ETF Breakdown, Total Expense Ratio(TER), Board Lot Size, Traded Currency, Dividend Payout, Trustee)
- ETF Performance
- ETF NAV
- ETF Reports
- ETF FAQ
- Participating Dealers etc

Please carefully consider the ETF investment objectives, risks, charges and expenses before investing. ETF maybe complex in nature, investing involves risks including possible loss of principal. Before investing, PSPL recommend clients to read the Prospectus from the respective Issuer's website carefully. The respective website for all SGX listed ETF Issuers are made available here. PSPL does not provide any advice on the ETF.

To view the prospectus, please visit the individual issuer websites:

<b>Barclays Global Investors Southeast Asia Ltd</b>	<a href="http://www.ishares.com.sg">http://www.ishares.com.sg</a>
<b>CIMB-Principal Asset Management (S) Pte Ltd</b>	<a href="http://etf.cimb-principal.com.my">http://etf.cimb-principal.com.my</a>
<b>DBS Asset Management Ltd</b>	<a href="http://www.dbsam.com/">http://www.dbsam.com/</a>
<b>DB Platinum Advisors</b>	<a href="http://www.dbxtrackers.com.sg">http://www.dbxtrackers.com.sg</a>
<b>Lyxor International Asset Management</b>	<a href="http://www.lyxoretf.com.sg">http://www.lyxoretf.com.sg</a>
<b>State Street Global Advisors</b>	<a href="http://www.streettracks.com.sg">http://www.streettracks.com.sg</a>
<b>State Street Global Advisors (for SDPR® Gold Shares)</b>	<a href="http://www.streettracksgoldshares.com">http://www.streettracksgoldshares.com</a>
<b>Daiwa Asset Management (Singapore) Ltd</b>	<a href="http://www.daiwa-am.com.sg">http://www.daiwa-am.com.sg</a>
<b>UOB Asset Management</b>	<a href="http://www.uobam.com.sg/">http://www.uobam.com.sg/</a>

## General Questions

### 1. What are Exchange Traded Funds (ETF)?

An Exchange Traded Fund (ETF) is an open-ended investment fund traded on stock exchanges (eg SGX-ST). ETF aims to track the performance of an underlying index of securities or commodity prices.

## 2. Where is ETF being traded?

ETF is listed and traded on stock exchanges. They can be bought or sold via a regular brokerage account. For example, in Singapore, the STI ETF is listed on Singapore Exchange (SGX) can be traded through a broker/dealer (e.g.: Phillip Securities Pte Ltd).

## 3. Who buys Exchange Traded Funds (ETF)?

ETF has gained favour with individual investors, finance professionals and institutional investors because of the low expenses, tax efficiency, diversification, transparency, trading flexibility and intraday liquidity. Trading in ETF is also a convenient way to gain instant market exposure to global markets.

## 4. How does the performance of an ETF compare with its underlying index?

ETF is designed to provide investment results that generally correspond to their underlying benchmark index by holding a portfolio of securities designed to give similar price and yield performance. However, the performance of the ETF and the Index may vary due to factors such as transaction cost, dividends payout and management fees being factored into NAV. The difference between the index and the Net Asset Value ("NAV") of its underlying ETF is the "tracking error".

ETF past performance is no guarantee of future results.

## 5. What is Net Asset Value?

The NAV per unit is based on the total value of the underlying assets of the ETF minus its liabilities, divided by the number of shares outstanding.

## 6. What is tracking error?

Tracking error is the difference between the performance of the benchmark index and returns of the ETF.

## 7. What's the difference between the market price and NAV of an ETF?

**Net Asset Value (NAV)** refers to a ETF's total assets minus its liabilities. It is calculated at the end of each trading day based on the last done price of each constituent stock of the benchmark index. An **Indicative NAV (iNAV)** is calculated periodically throughout the day.

**Market price** refers to the quoted price on an exchange which is available on your broker trading system (e.g.: Phillip Securities Pte Ltd – POEMS Trading Page).

When market price > iNAV, it indicates that the ETF is trading at a "Premium".

When market price < iNAV, it indicates that the ETF is trading at a "Discount".

## 8. What is an ETF prospectus?

An ETF prospectus explains the ETF's investment objectives, risks, fees and other expenses. Investors should carefully consider information contained in the prospectus, including investment objectives, risks, charges and expenses. You should always read the prospectus carefully before investing.

## 9. How are management fees calculated in ETF?

An ETF charges a management fee which is calculated and accrued daily in the Net Asset Value ("NAV") calculations. This fee will be directly deducted from the assets of the ETF regularly. Most ETF charged their management fees as a Total Expense Ratio ("TER") which represents the all-in fee that the ETF will pay to the Manager. From the TER, the Manager will pay for all other fees and expenses, such as custodian fee, index-licensing fee and legal expenses, etc. Investors are advised to refer to the prospectuses of individual ETF for information on fees and expenses.

## 10. What are the benefits of ETF?

Exchange-traded funds offer the following advantages:

- **Efficiency:** In a single transaction on ETF, investors can obtain a cost efficient exposure to a diversified portfolio of securities. In addition, ETF has no sales charge and its annual management fees are lower than traditional funds!
- **Transparency:** Investors are able to monitor the live prices for ETF during the trading hours. Investors are also able to monitor and access the performance of the underlying stocks in an ETF.
- **Flexibility:** The ability to perform live trading on ETF gives investors the flexibility to implement their own investment strategies and react rapidly to the volatile market.

## 11. What are the risks investing in ETF?

As ETF is index-tracking funds, investors are exposed to the same **market risks** associated with the performance of the benchmark indices. In addition, investors should expect a small amount of **tracking error** (caused by **fees and expenses chargeable to the ETF** and the **volatility in performance derived** from mismatched positions between the benchmark index and the ETF). ETF is also exposed to **foreign exchange risk** in fluctuations of currency whereby investors' base currency is other than the currency denomination of the invested ETF.

## 12. Short-selling mistakes when investing in ETF?

An investor bought into DBS STI ETF (DSTI.SG) and sells it as STI ETF (STIS.SG) without realizing that they are different counters. DBS STI ETF is issued by DBS Asset Management and STI ETF is issued by State Street Global Advisors. Despite of their similarity in their characteristics, they are managed by different fund manager and traded at different prices.

If you short-sell, the penalty incurred will be costly. Investors are advised to check their holdings (eg CDP online) before selling.

## Transaction of ETF

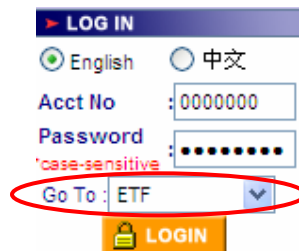
### 13. How do I buy or sell Exchange Traded Funds (ETF)?

ETF is listed and traded with ticker symbols, the same way as individual stocks. They can be bought or sold through a broker/dealer (e.g.: Phillip Securities Pte Ltd). A brokerage commission to buy or sell will apply.

### 14. How to carry out an ETF transaction

**Step 1:** Log in to your POEMS account after selecting “ETF” under the Go-To drop-down list

**Step 2:** Click on the “ETF” tab and the “PRICE/TRADING” tab



**Step 3:** Select the exchange/market that you wish to trade in. The first 50 ETF counters will be displayed.

**Step 4:** For specific ETF counter that is not displayed in the first 50 ETF, select the desired ETF by its alphabet.

SGX SET NYSE NASD AMEX KLSE LSE SEHK TSE World Indices A B C D E F G H I J K L M N O P Q R S S1 S2 T U V W X Y Z Others

**Step 5:** Click on the counter that you want to trade in.

**Step 6:** Complete your trading decision with the “Buy/Sell Decision”, “No. of Shares”(Note: Minimum Lot Size), “Price”, “Trade Type”(if any) and enter “Password”.

Trading Working Orders | Syn Orders | Orders Processed (Today) | Trade Done (Yesterday) | Trading Matters

Stock Symbol :  OR

Stock Name :

Action : ☒ Buy ☐ Sell

No. of Shares :  Lot Size:

Price :

Trade Type : ☐ Contra ☐ Force key

Password :

Buy Limit Bal: SGD 1000 Sell Limit Bal: SGD 1000  
(Updated every 3am from Mon-Fri)

**Step 7:** Click “OK” when you are done

**Step 8:** You can also double check whether your order is being done by clicking on the “Working Orders” Tab. A special filter “Show ETF Only” allows you to view all ETF orders status.

Trading Working Orders | Syn Orders | Orders Processed (Today) | Trade Done (Yesterday) | Trading Matters

☒ Show ETF Only ☐ Show All

Password:    Qty:

R = Remark ; (S) = Submitted ; (E) = Executed ; (R) = Reported

SGX Orders submitted after 5:15pm shall be processed on the next trading day F = Force Key

ORDER NO	STOCK SYMBOL	STOCK NAME	STATUS	R	F	BUY / SELL	PRICE (S)	PRICE (E)	QTY (S)	QTY (E)	TIME (S)	TIME (R)	MSG
<input type="checkbox"/> 335617	GLD.SG	GLD 10US\$	Order Received			Buy	110.09	---	10		Dec 18 2009 2:26PM		

#### 15. What is the minimum investment amount?

Please refer to the table titled "SGX-Listed ETF" for the minimum board lot size for the respective ETF.

#### 16. What are the charges I have to pay to buy and sell ETF?

- Prevailing [brokerage commissions](#).
- Plus Clearing Fees of 0.04% (max. of S\$600) & SGX Access Fee of 0.0075% on the contract value and GST on brokerage, Clearing Fees & SGX Access Fee.

#### 17. Is there a sales charge on ETF?

Trading in ETF is not subject to sales charge. However, the usual brokerage commission for securities purchases and sales still apply.

#### 18. How are transactions in ETF settled?

Transactions in ETF are settled in the same manner as transactions for stocks, basically a T+3 settlement cycle.

Likewise, stock settlement and outstanding payment will be subjected to force selling at the company discretion. Any losses incurred, the client would be liable.

#### 19. What are the payment facilities does Phillip Securities offers?

The type of payment facilities offered by us includes Cash, Giro, EPS, Cheque and Internet banking.

## Considerations on ETF Selection

### 20. Comparison amongst ETF

Consideration factors when making comparisons between ETF:

1. Establishment of Issuers. (Eg: Reputation, Brand name)
2. Management fees. (Eg: Total Expense Ratio(TER), offering the same objective buy lower management fee)
3. ETF Performance. (Eg: Year-to-date ETF Performance since ETF inception, 1-Year Performance, 3-Year Performance etc)
4. Minimum trading size: (Eg: Similar ETF may offer a minimum board trading size of 100, the other ETF may offer minimum board trading size of 1000. Hence, the ETF that offer minimum board trading size of 100 is more affordable.)

### 21. ETF vs. Unit Trusts (UT)

**Unlike UT, ETF typically offers:**

- Trading through a broker as compared to UT that create and redeem through a issuer or distributor
- Lower management fees of less than 1% as compared to UT (i.e. 1.25 – 2%)
- No sales charges as compared to UT (i.e. 3 – 5%) however usually brokerage fees apply (i.e. 0.28% to 0.5%)
- More transparency with intraday real-time pricing as compared to UT daily pricing.
- Settlement is same as stock (i.e. T+3) as compared to UT which is usually upfront settlement.

**Similar to UT, ETF typically offers:**

- Diversification over a pool of assets or stocks

### 22. ETF vs. Stocks

**Unlike Stocks, ETF typically offers:**

- Diversification over a pool of assets or stocks as compared to singular counter stock

**Similar to Stocks, ETF typically offers:**

- Trading through a broker however with the management fees of typically <1% calculated daily being factored into the NAV of ETF
- Intraday real-time pricing make available
- Settlement period (T+3)
- Flexibility of long /or short position, stop limit order, limit order etc

If you require further clarification, please email to [etf@phillip.com.sg](mailto:etf@phillip.com.sg) or call our customer service hotline at 6531-1555.