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Bond & Bond ETF

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What are Bond ETFs?

Definition of Bond - a certificate of debt (usually interest-bearing or discounted) that is issued by a government or corporation in order to raise money; the issuer is required to pay a fixed sum annually until maturity and then a fixed sum to repay the principal.

Types of Bonds

- Government Bonds
- Municipal Bonds
- Corporate Bonds
- Zero-Coupon Bonds

Bond ETFs are exchange traded funds which invest in a portfolio of bonds. They usually track a bond index price by buying the underlining bonds in the index.

Why invest in Bond ETFs?

Bonds are a good cushion against market volatility. Interest rates and the prices of bonds have a close inverse relationship. Interest rate tends to drop during tough economic times and when that happens, already-issued bonds usually rise in price. Likewise, when interest rates increase, bonds tend to be less attractive.

Unlike investing into a single bond, Bond ETFs are diversified, thus leveling the investment risks. Through ETFs, investors can gain exposure to a wide array of bonds and also access certain bonds which are not available to retail investors. There is no maturity date for Bond ETFs as the fund managers will buy into new bonds when the existing bonds mature. Bond ETFs can be easily purchased and sold over the stock exchange.

Who should invest in Bond ETFs?

- Long term investors who prefer to have a conservative and lower risk portfolio.
- Investors who like to diversify from equities.

How can I invest in Bond ETFs in Singapore?

ABF Singapore Bond Index Fund is Singapore's first exchange traded bond fund, it invests in a portfolio of high quality, Singapore government and quasi government bonds. It is a collective investment scheme, authorised in Singapore and listed on the Singapore Stock Exchange. ABF Singapore Bond Index Fund (ABFS) seeks investment results that correspond closely to the total return of the iBoxx ABF Singapore Bond Index, before fees and expenses

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