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Think beyond Equities

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Equity ETFs such as street-tracks STI ETF and iShares MSCI India are one of the most popular ETFs among investors in Singapore. Equity based ETFs serve as a very good tool for diversification within the equity asset class.

However, many investors may not be aware of the other asset classes available to them via ETFs.

There are many reasons why a smart investor or institutional investor goes beyond investing in equities. Among these reasons are diversification, hedging and potential growth in a particular asset class. Nevertheless, the most popular reason of all is - "Asset Allocation"

Major Asset Class

- Equity
The equity asset class can be sliced and diced into sectors, countries, market cap and more. Investors can choose to invest in an emerging sector or into specific countries. In a bear market, there are the inverse/short ETFs for short run positions.

- Commodities
Over the years, we have seen many ups and downs in commodities such as crude oil and gold. Commodity ETFs are funds which aim to track the price of a single commodity or a basket of commodities. Commodity ETFs either hold the actual physical commodity or buy into futures contracts.

- Fixed Income
Bond ETFs are exchange traded funds which invest in a portfolio of bonds. They usually track a bond index price by buying the underlying bonds in the index. Bonds are a good cushion against market volatility. Interest rates and the prices of bonds have a close inversed relationship.

- Currency
How can one invest in YUAN or EURO without holding the physical currencies? Currencies appreciate or depreciate through time due to changes in economy. Currency ETFs provide exposure to the changes in the value of a specified currency relative to the U.S. dollar.

Why invest with ETF?

ETF is one of the most transparent investment tools in the market. Daily information on the ETFs can be found on issuers' websites. Investors can trade ETFs easily through the stock exchange.

ETFs open the doors for retail investors to invest in assets previously only accessible to institutional investors. Today, over 56 ETFs are listed in Singapore covering almost all major asset classes.

If you are interested in foreign ETFs, POEMS from Phillip Securities provide the online platform to trade in markets where these ETFs are listed.

POEMS allows investors to trade on SGX, KLSE, TSE, NYSE, LSE, AMEX, SET, TSE and SEHK. You can easily find over 1000 ETFs listed worldwide on POEMS.

Figure 1 : ETF Categories

Equity <ul style="list-style-type: none"> Global Capitalisation Broad markets Emerging markets Countries Inverse/Leveraged Active managed Dividend Fundamental Infrastructure Real Estate Shariah Thematic Private equity 	Commodities <ul style="list-style-type: none"> Broad Sub-indices Individual commodities Based on physical held asset Based on futures Based on forwards Inverse/Leveraged
Fixed Income <ul style="list-style-type: none"> Government Corporate Inflation High yield Mortgage backed Emerging markets 	Currency <ul style="list-style-type: none"> Developed currencies Emerging market currencies Inverse/Leveraged

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