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ETFs / ETCs: The low cost way to diversify your portfolio

March 2009

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Agenda

- What are ETF & ETCs?
- Types of ETF /ETCs
 - Domestic
 - International
 - Sector
 - Commodities
- Q&A
- Wrap Up



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What are ETF / ETCs ?

- ETFs can invest in a basket of securities that make up an index or sector i.e. they seek to replicate an index
- ETCs seek to track the physical price of a commodity and provide direct exposure to the underlying asset
- Have transparent portfolio holdings
- Have an open-ended structure
- Can have on exchange market makers
- Trade intra-day on an exchange like any other share



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ETFs – A global phenomenon

- First product launched on the Toronto Stock Exchange in 1989
- Over 1,500 exchange traded products available globally representing around \$710 billion in assets*
- 5 of the 10 most actively traded US equities are ETFs and the three most actively traded US equities are ETFs
- Global Managers include State Street Global Advisers (SSgA), Barclays Global Investors (BGI), ETF Securities & Vanguard
- Globally, there are currently plans to launch a further 604 ETFs*

* ETF Landscape, Industry Review: Barclays Global Investors

ETFs in Australia

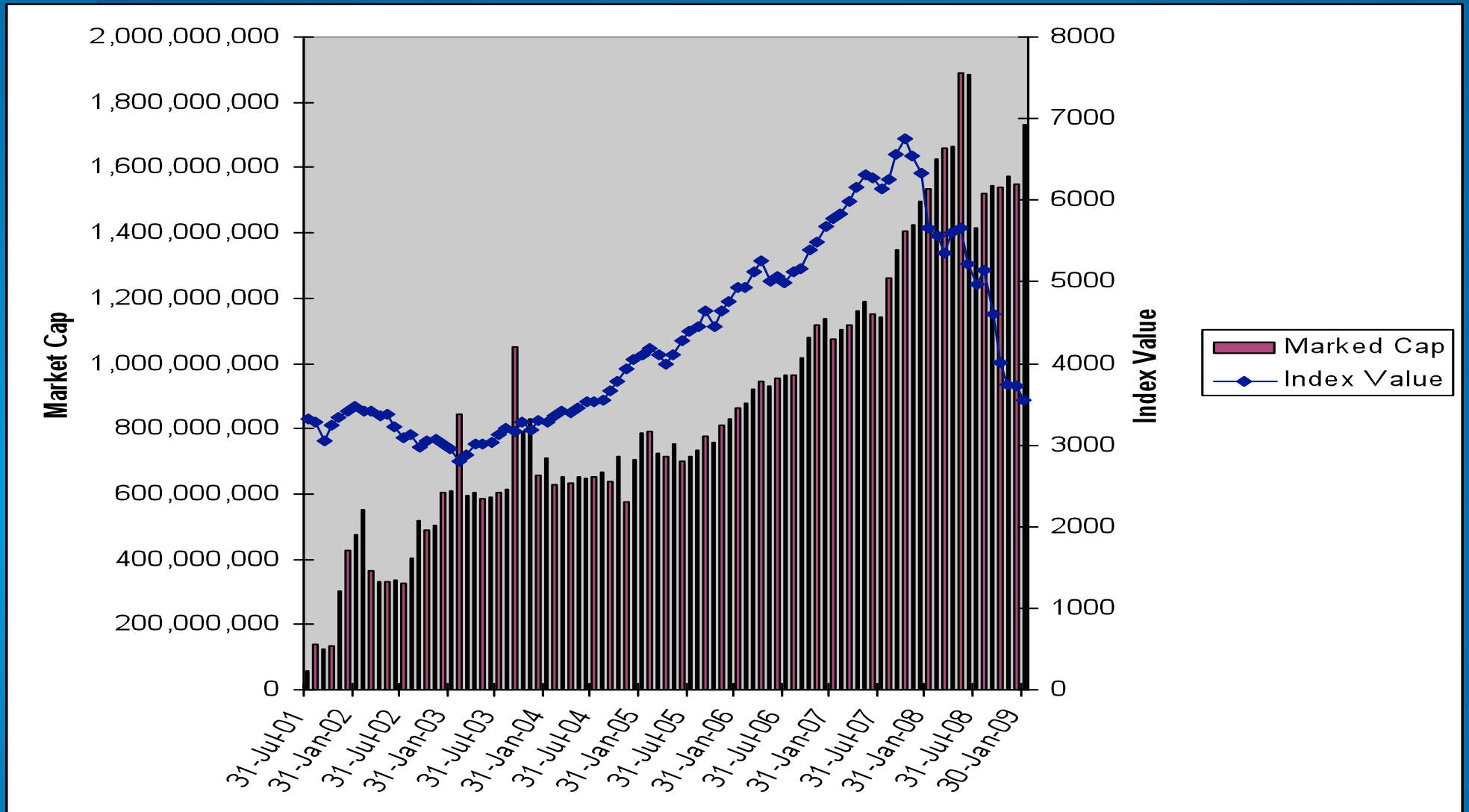


- August 2001, launched in Australia by SSgA with ETFs over 3 domestic indices
- March 2003, listing of ETF Securities with an ETC over the physical commodity of gold
- October 2007, listing of 10 ETFs & December 2007 listing of 4 and September 2008 listing of 2 international indices by Barclays Global Investors
- February 2009, ETF Securities lists 4 new ETCs over precious metals including a basket— another world first
- March 2009, BGI list 3 international sector ETFs
- 12 month average trades 9,175. Up 136% on Jan 08

ETF / ETC Market Cap Versus S&P ASX 200 Index



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Top 5 Exchanges by value of ETFs traded in USD terms



	Exchange	USD bn in 2008	USD bn in 2007	% Change
1	NYSE Group	6,822,	2,710	151.70%
2	NASDAQ	1,907	NA	-
3	American Stock Exchange	242	271	-
4	Deutsche Bourse	213	174	22.40%
5	Euronext	143	121	18.20%

Source: WFE 2008 Review

Benefits of ETF / ETCs



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- Easy to buy and sell – just like shares no additional paperwork needs to be signed to trade ETFs or ETCs
- Real time, intra-day & end of day pricing
- Settlement certainty of T+3
- Registered on CHESS
- ASX supervision (ASXMS)
- Covered by the National Guarantee Fund (NGF)

Benefits – Continued



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- Trades at net asset backing – no discount / premium
- Low minimum initial investment (\$500)
- Suitable for Self Managed Superfunds (SMSFs)
- Low fees, typically the management expense ratio (MER) is < than 1%

Risks

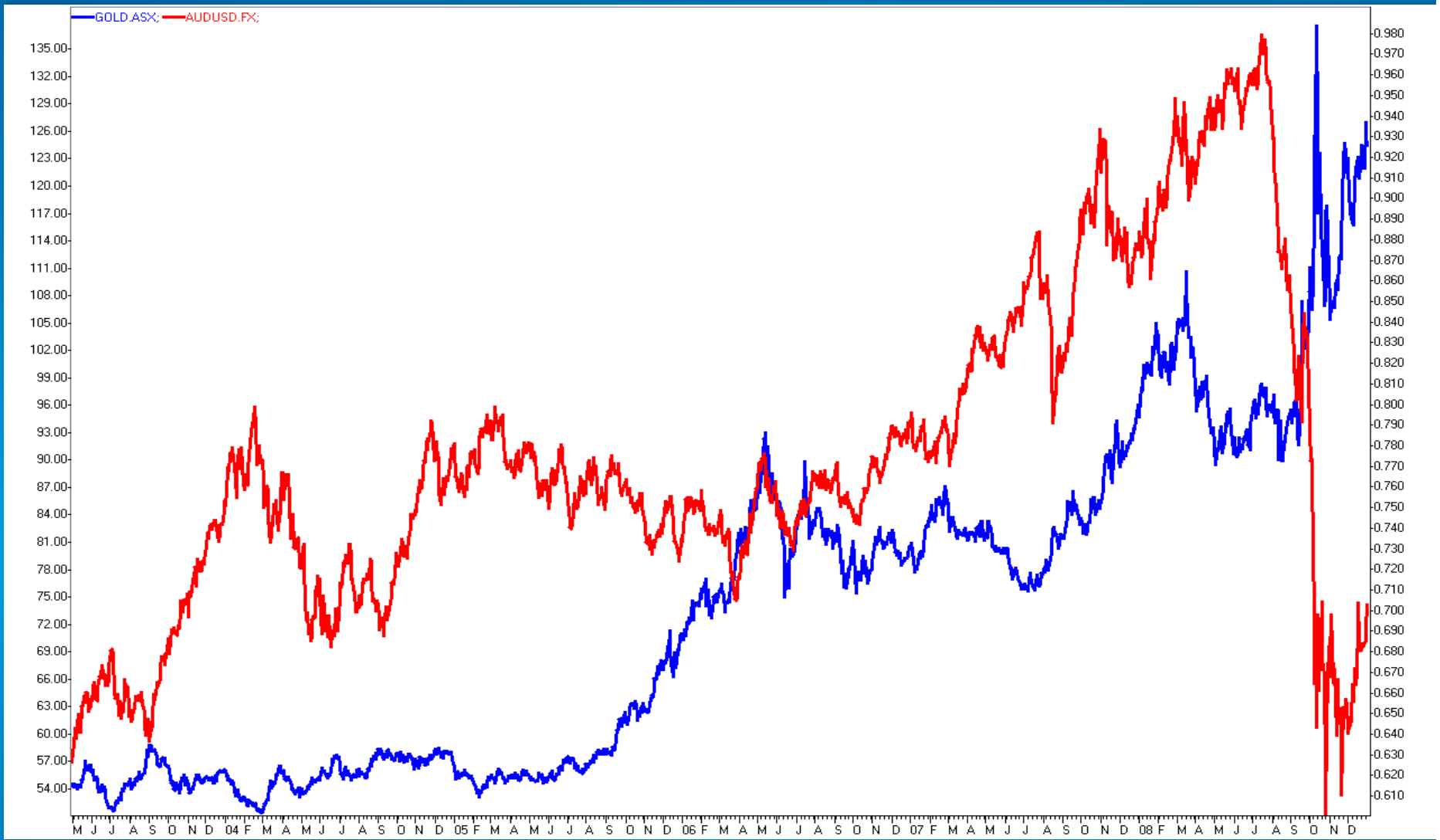


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- Returns are not guaranteed
 - Awareness of ETFs/ ETCs is still in its infancy
 - Current range of ETFs/ ETCs on ASX are unhedged
- though
- Currency fluctuations can at times work in your favour

Gold Vs AUD/USD FX



Presentations



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- Vanguard
- BGI
- SSgA
- ETF Securities

ETFs – What's not to like?



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- Simple to use
- Provide instant diversification
- Low MERs
- Liquidity / MM
- Day to day corporate activity managed for you
- Simplified administration
- Price certainty
- Settlement certainty
- ASX supervision

Where to for more information?



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- Go to www.asx.com.au/etf
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- Make use of free research

Upcoming ASX/ASA Canberra Event



- Wednesday 3rd June. Yield – Investing with a steady income stream
- ASX / ASX Investor Hour – Podcasts available



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Thank you