

Focus On **ETF**

Finally, if you are looking for one bullet-proof stock you might want to consider buying Exchange Traded Funds (ETF) - the relatively safe and easy strategy for higher return.

ETF is a cash market instrument which represents the Index, i.e. STI (in the Singapore context). No more investing in individual stocks, invest in the Index.

- Investing in ETF is one of the best strategies, since over a long term, Stock Market Index performs better than most stock portfolio or mutual fund manager.
- Unlike investing in shares which can be very risky since the share price can go way down, it is unlikely for the Index to become zero.
- When the stock market goes up, ETF goes up also. At the same time you receive dividends if any of the companies in the Index declares a dividend. However if you buy shares it is not necessary that the shares will go up when the stock market goes up. Also the company may not necessarily declare a dividend in the current quarter if it has declared in the last quarter.

ETF (STI ETF)

- In Singapore the most popular ETF is the STI ETF.
- STI ETF replicates the STI Index.

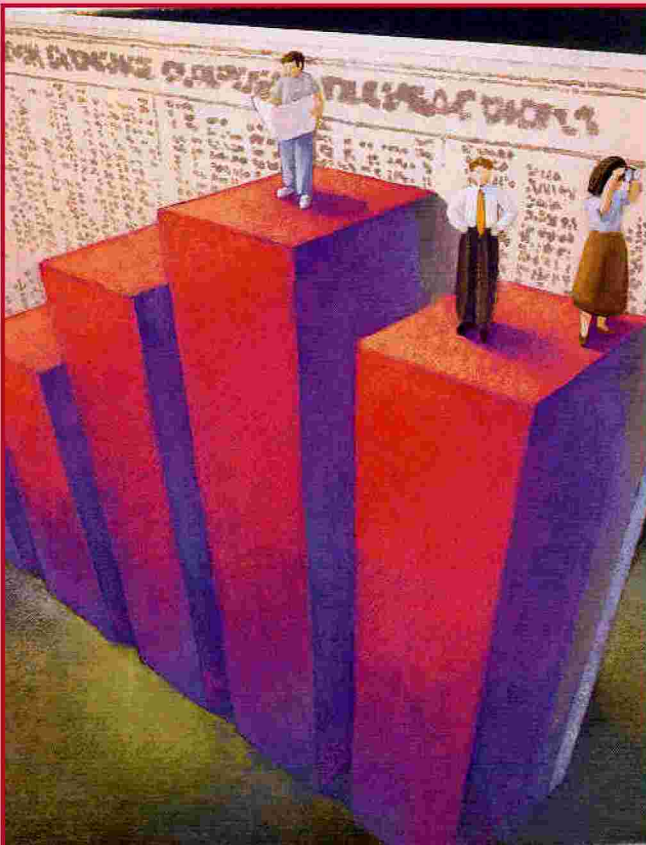
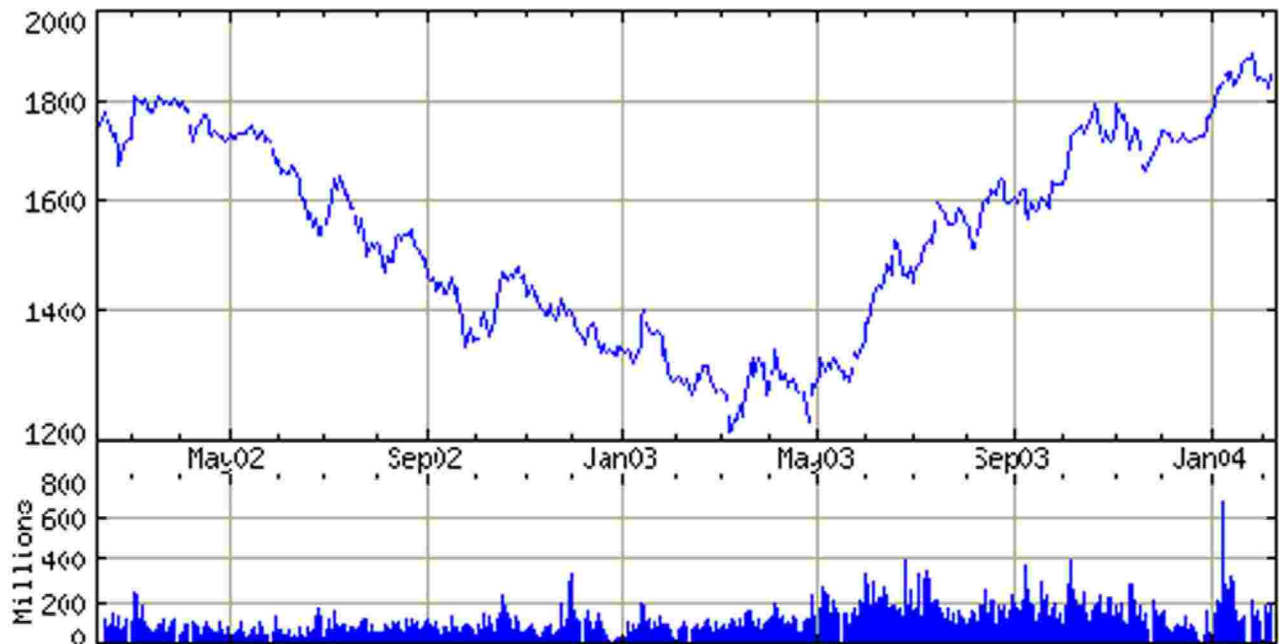
- With one share of STI ETF an investor gets exposure to all the shares of the STI Index. This allows investors to spread risk with one single decision.
- In less than a year the STI ETF has given a 50% return since the STI Index has gone up by 50%.
- Investors can buy ETF using their CPF Funds. The minimum number of shares is 100 unlike stocks where the minimum number of shares per contract is usually 1000.
- 52 week STI ETF high price – \$18.50
- 52 week STI ETF low price – \$12.50
- 52 week STI Index (Low) 1250 – 1850 (High)

STI ETF (Exchange Traded Funds)

STI Index	= 1250	ETF	= 12.50
Rise in Index	= ↑1850	Rise in ETF	= ↑18.50
No. of contracts	= 12.5 x 100		
	= \$1.250		
Profit	= (18.5-12.5) x 100		
	= \$600		
Profit (%)	= 600/1250 x 100		
	= 48%		

STI

SINGAPORE STRAITS TIMES INDEX



About The Author

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