



Exchange Traded Funds

Exchange Traded Funds (ETFs) provide exposure to a wide range of Australian and international shares, in developed and emerging markets, and specific market sectors like telecommunications and healthcare.

What is an Exchange Traded Fund?

An Exchange Traded Fund (ETF) is traded on a securities exchange like shares but is structured like a traditional managed fund. Like index funds, ETFs track a market or sector index and provide a low cost way to access a wide range of securities.

How do ETFs work?

Fund managers construct ETFs using a specific index. The ETF portfolio will hold similar securities and weightings to the index, so it can closely replicate its performance. ETF prices may not match the index price exactly due to fees, taxes and other factors.

Like shares, you can buy and sell ETFs on a securities exchange at any time during the trading day through the Member Direct option.

What are the benefits?

Diversification: ETFs provide instant exposure to a diversified portfolio of securities. Diversification reduces concentration risk in a portfolio.

Cost effective: ETFs are a cost-effective way to invest in a diversified basket of stocks. ETF fees are generally lower than those of managed funds. Brokerage does apply.

Flexibility: You can buy and sell ETFs any time during the trading day at intra-day market prices.

Transparency: ETFs are listed on a securities exchange with market prices quoted throughout the trading day and portfolio holdings published regularly so you know exactly what you own.

Liquidity: As ETFs are traded on a securities exchange like shares they are easy to buy and sell.

Tax efficiency: ETFs operate like index funds so they have lower levels of turnover than actively managed portfolios. Trading securities less often can reduce capital gains tax and help to improve after-tax investment returns.

What are the risks?

While ETFs offer diversification, which can reduce volatility, they are still subject to market risk. Investment markets can be volatile and investment values can rise and fall.

The level of volatility will depend on the types of securities held in the ETF's underlying portfolio. For example, growth assets like shares are considered a high risk/high return investment. Shares have historically produced higher returns than other asset classes over the long term, so investing for longer can smooth out any short-term 'bumps' of volatility.

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An ETF unit is a 'basket' of stocks representing a particular index



What are the costs?

ETFs offer a low-cost way to invest in a diversified portfolio of shares. The following types of fees apply to ETFs:

- **Management costs:** These are generally much lower than fees for traditional managed funds. Management fees are reflected in the unit price, and cover custodian, accounting, audit and other costs involved in running the fund. For details of the management fees for the ETFs available within the AustralianSuper Member Direct investment option please visit the iShares website at iShares.com.au
- **Brokerage costs:** These apply when buying and selling ETFs. A flat fee applies to the first \$5,000 of your trade. Scaled cumulative brokerage rates apply to each component of your trade value above this, at the levels set out below.

Member Direct option brokerage rates

Transaction amount	Brokerage fee*
\$0 to \$5,000	\$15.00
\$5,001 to \$10,000	0.30%
\$10,001 to \$30,000	0.20%
\$30,001 to \$50,000	0.16%
\$50,001 +	0.12%

* The above rates exclude GST

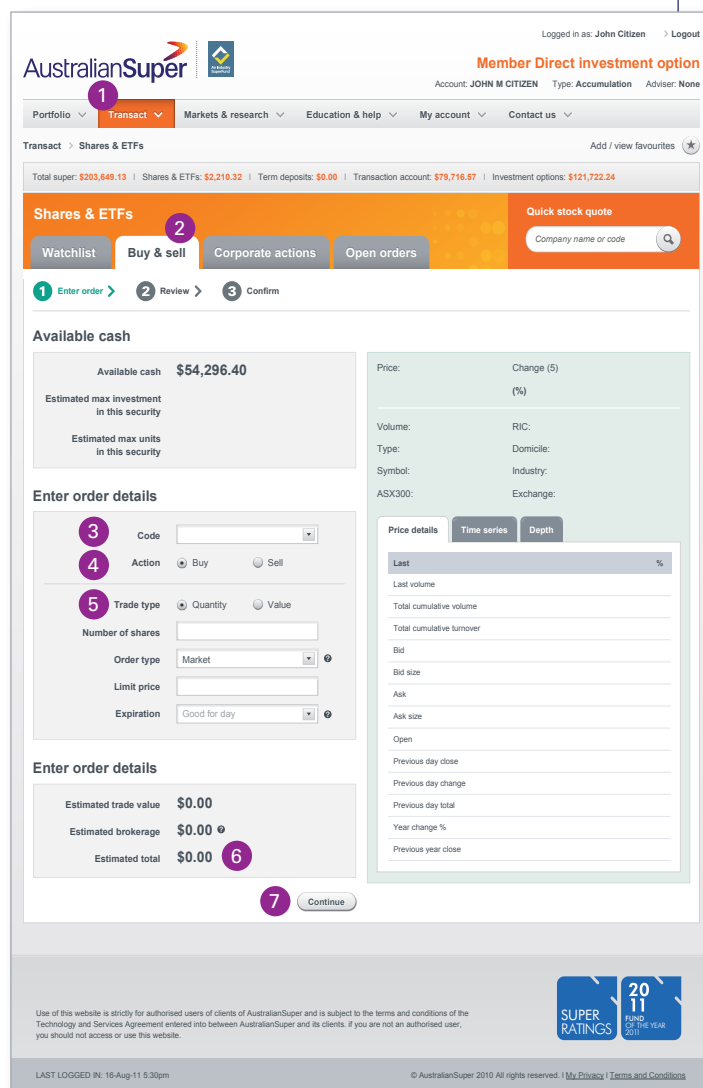
How do I invest in ETFs?

The AustralianSuper Member Direct investment option offers access to a selection of Australian and international iShares Exchange Traded Funds. You can view a list of available ETFs in the 'Education & Help' area on the Member Direct online platform.



How to buy and sell ETFs

- 1 Select 'transact' and 'Shares & EFTs' from the main menu
- 2 Click on the 'buy and sell tab'
- 3 Enter the ETF's ASX code – you can search for ETFs by name if you're not sure of the code
- 4 Select 'buy' or 'sell'
- 5 Enter your trade details
- 6 Your estimated trade value, brokerage and total order will appear in the 'total' table
- 7 Click 'continue'. Check your order details are correct and 'confirm' to place your trade



You can also track, buy and sell shares from your watchlist.
See the *Watchlists* fact sheet for more information.

Quick reference

- AustralianSuper members can access a range of Australian and international iShares ETFs through the Member Direct option
- ETFs combine the diversification benefits of index funds with the flexibility of shares
- ETFs offer a low cost way to access a wide range of securities, including international sharemarkets

Seek advice before you invest

Our Financial Education and Advice Team can help you decide which AustralianSuper investment options are right for you. They can also refer you to an external licensed financial adviser for more specific advice about investment strategies and listed securities within the Member Direct investment option. Call our Financial Education and Advice Team on **1300 300 273** or visit www.australiansuper.com to find out more.