

HOW TO TRADE AN ETF

Exchange Traded Funds, or ETFs, are managed funds that are traded on ASX, just like shares.



ETF trading best practices

Avoid certain days and time

- **Market open:** Avoid the first 15 minutes of the trading day when ETFs are less liquid and spreads are wider. ASX opens in stages starting with companies beginning with the letter A and finishes 10 minutes later at Z. During this time the Market Maker will be quoting prices with wide spreads as they cannot accurately value the full portfolio until everything opens.
- **Market close:** Similar to open, it is difficult for the Market Maker to value the whole portfolio at market close so avoid trading in the last 15 minutes of the trading day.
- **Market closures:** It is important to take note of when markets are closed. For example, international holidays could impact the Market Maker's ability to value ETFs which hold assets from locations where there is a public holiday.
- **Be aware of international trading:** ETFs with significant exposure to overseas markets tend to trade better (i.e. at tighter spreads) when the foreign market is open also.
- **China trading times:** the best time to trade ETFs comprising China A-shares is between 12:30 and 2:30pm Monday to Friday (AEST), when the Australian trading day overlaps with the Shanghai and Shenzhen opening times. Note: this timeframe will shift with daylight saving times.

Use limit orders

- This type of transaction allows you to set the bid or ask price at which you are willing to buy or sell. You will not pay any more, or sell for any less, than your limit price.
- Trade execution through limit orders provides you certainty and protection for your trade price.
- If you set your limit below the ask (when buying) or above the bid (when selling), there is a risk your transaction will not occur.
- The involvement of a Market Maker usually ensures limit orders at the fair value will be executed.

Avoid market orders

A market order guarantees you buy or sell your units but does not guarantee the best price and exposes you to paying more, or selling for less, than the fair value of the ETF units. With a market order you lose price control; experienced portfolio managers generally trade with limit orders.

Refer to the iNAV

The iNAV is the 'indicative Net Asset Value' of an ETF published by ASX. The iNAV changes based on changes in prices of the shares held in any Australian equity ETF portfolio. The iNAV allows investors to track the estimated fair value of an ETF unit to help decide when to buy and sell. You cannot buy ETF units at the iNAV as the Market Maker will always place a spread to make money for their services. You can buy/sell at the iNAV plus/minus a spread. The iNAV lets you monitor the size of the spread, which can change throughout the day depending on market conditions.

Keeping informed

VanEck is required to keep the market fully informed about anything that may impact the price of our ETFs by announcing relevant information via ASX and on our website. You can arrange to receive notice of any announcements relevant to your investments through your financial adviser, stockbroker or online broker.

VanEck will provide details in advance of any distributions by its ETFs to ASX for public release to the market.

Any news affecting the price of our ETFs (such as distributions) can be found at asx.com.au or on our website.

Definitions

Liquidity

How easily an asset can be converted to cash; how easy it is to buy and sell an asset at a fair price.

Bid

The price someone's willing to pay for an investment vehicle like an ETF at a specific point in time.

Ask

The price someone's willing to offer for a sale of an investment vehicle like an ETF at a particular point in time.

Spreads

Refers to the "bid-ask spreads" which is the amount by which the ask price exceeds the bid price.

Market Maker

The Market Maker is responsible for creating the buy-sell market for ETFs. Market Makers are required to continually quote prices and their volumes they are willing to buy and sell at. This is to help maintain consistency and transparency with markets and ETFs.

Market Order

A market order is a buy or sell order to be executed immediately at the current market prices. As long as there are willing sellers and buyers, market orders are filled.

iNav

The iNAV is the 'indicative Net Asset Value' of an ETF published by ASX. It is based on the value of the ETF's underlying securities.

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