

Case Study: How sector ETFs may improve concentration risk

AUSTRALIAN SECTOR ETFs

Lachlan is a keen investor in the stock market...

and already owns \$100,000 worth of several leading blue chip stocks. He has an increasingly busy career in IT and has very little time to spend analysing new stocks to invest in.

Lachlan has been watching commodity trends and wants to increase his exposure to the Metals & Mining sector. He's aware that this sector has historically outperformed the market when commodity prices are rising. At present, Lachlan owns stock in one of Australia's large miners (Rio Tinto), though it accounts for a relatively small share of his portfolio. He is reluctant to simply buy more of this stock due to the concentration of risk in one company.

Portfolio solution

As Lachlan does not have the time to research each mining company, he decides to invest in an Exchange Traded Fund (ETF) that will give him **Metals & Mining sector exposure: Aii S&P/ASX 300 Metals and Mining ETF (ASX Code: MAM)**.

By investing in MAM, Lachlan can instantly obtain Metals & Mining sector exposure with just one trade – **included in MAM are many of the largest Metals & Mining companies listed on the ASX.**

Benefits for Lachlan

With just one trade on ASX, Lachlan has added further diversification to his portfolio and tilted his portfolio to a sector of particular interest to him.

In addition, he has saved himself hours of time researching mining companies, and will receive just one set of paperwork when it comes to tax time.

CURRENT PORTFOLIO

Direct shares -
WBC, CBA, DJS, RIO,
NWS, WDC, WOW, QAN,
TOL, COH



NEW PORTFOLIO



Aii S&P/ASX 300
Metals and Mining - MAM

Direct shares -
WBC, CBA, DJS, NWS,
WDC, WOW, QAN, TOL,
COH

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Benefits of investing in sector ETFs:

- **Diversification** – a single investment provides instant exposure to a diversified portfolio of shares versus purchasing an individual stock.
- **Cost effective** – with an average management cost* of 0.43% p.a., Market Vectors' sector ETFs ("the Funds") are comparably lower than actively managed funds in general. In addition, they are generally less costly to transact than investing in a large number of individual shares.
- **Transparency** – investors always know what they own; Market Vectors' sector ETF holdings are published daily.
- **Liquidity** – listed on the ASX with intra-day pricing; investors can buy and sell throughout the day, unlike a managed fund.
- **Tax efficiency** – as a result of generally low portfolio turnover, potentially lower capital gains tax liabilities for investors.
- **Flexibility** – Market Vectors' sector ETFs can be bought or sold like a share, through any stockbroker, financial adviser or online share-trading platform at any time during market hours.
- **Capital growth & income** – similar to equity shares, Market Vectors' sector ETFs provide investors access to potential capital growth and income through dividends.
- **Dividend Reinvestment Plan (DRP)** – investors can automatically reinvest dividends or receive cash.
- **Portfolio optimisation** – take a strategic or tactical approach on each sector; rebalance your portfolio as often as you like to meet your asset allocation strategy and investment objectives.

*The fees and costs for managing the Fund.

Aii S&P/ASX 200 Energy	ASX CODE ► ENY
Aii S&P/ASX 200 Financials	► FIN
Aii S&P/ASX 200 Financials x-A-REIT	► FIX
Aii S&P/ASX 200 Industrials	► IDD
Aii S&P/ASX 300 Metals and Mining	► MAM
Aii S&P/ASX 200 Resources	► RSR

CONTACT US For more information, visit marketvectors-australia.com, or call Market Vectors Australia on 1300 125 592.



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