

# Diversifying your investment portfolio with ETFs

Exchange Traded Funds ("ETFs") are gaining in popularity with investors who are looking for a low cost way to gain access to broad market exposures. What is less immediate to investors is how ETFs can help them diversify their investments.

An ETF in itself is already a diversified portfolio within an asset class. There are equity ETFs, bond ETFs and even commodity ETFs.

Because an ETF tracks the performance of an index, buying a single unit of an ETF immediately gives you access to the securities in that index. Taking the example of the Nikko AM Singapore STI ETF, an investor who buys it is essentially investing in mostly the same stocks that make up the FTSE Straits Times Index ("STI") it tracks and in approximately the same weightings as they are reflected in the index.

In other words, exposure to the STI ETF would give you access to a basket of stocks from the Singapore stock exchange.

Going one step further, you can combine holdings of different ETFs to achieve diversification.

Nikko Asset Management Asia Ltd manages two ETFs – the Nikko AM Singapore STI ETF and the ABF Singapore Bond Index Fund. If an investor buys these two ETFs, he immediately gets exposure to a basket of STI stocks and fixed income securities issued by the Singapore government or supranational financial institutions.

Depending on his risk appetite and financial objectives, an investor would vary his weight in the two ETFs. Of course, an investor must do his homework before he decides on what to invest in and how best to allocate his resources taking into consideration the inherent risk of each financial instrument.

This is part 2 of a series brought to you by Nikko Asset Management Asia Ltd.  
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**NIKKO AM STI ETF**

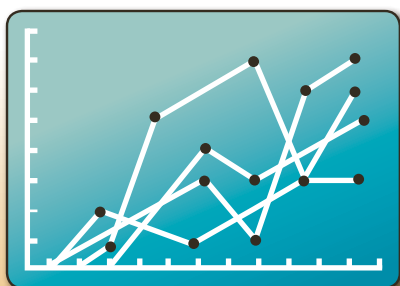
**Exposure to a basket of FTSE Straits Time index stocks**

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**NIKKO AM ABF SINGAPORE BOND INDEX FUND**

**Exposure to Singapore and Singapore government-sponsored or quasi-government entity bond issues**

**DIVERSIFICATION ACROSS 2 ASSET CLASSES**



**EQUITIES**



**FIXED INCOME**

Any securities mentioned herein are for illustration purposes only and should not be construed as a recommendation for investment.

*Disclaimer: All forms of trading and investments carry risk. Such activities may not be suitable for everyone.*