



SECURE
WEALTH
MANAGEMENT



"The ETF investment specialists"

*ETFs : the future
of investing*



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iShares®
by BLACKROCK®

Exchange Traded Funds (ETFs) are revolutionising the way investors manage their portfolios. ETFs are simple, flexible, cost-effective and offer opportunities to spread risk.

WHAT IS AN EXCHANGE TRADED FUND (ETF)?

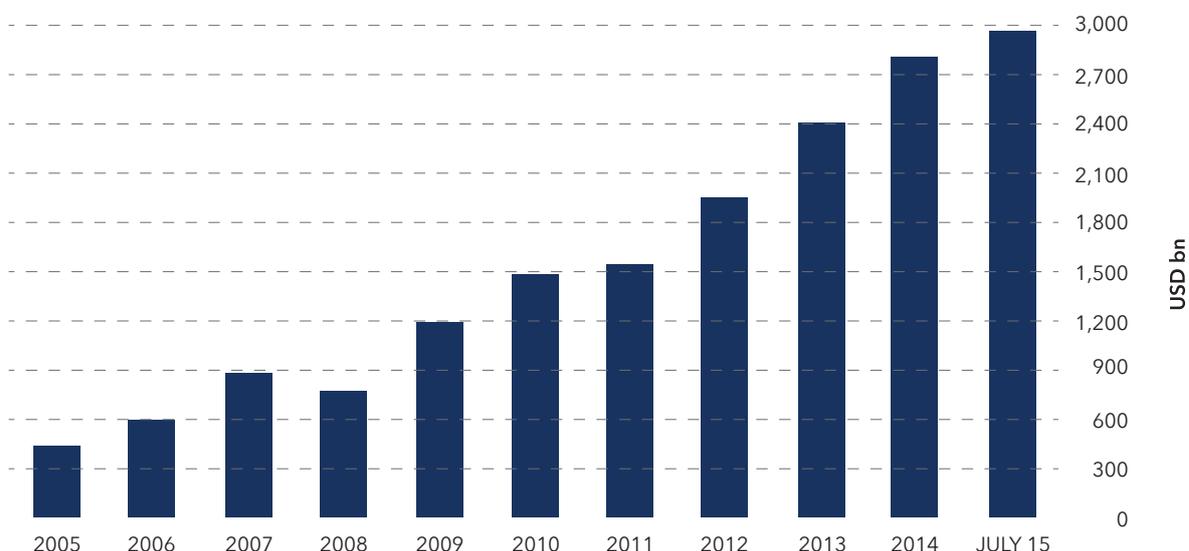
An ETF is a pooled investment fund which can be bought and sold on a stock exchange, like a share in a company. ETFs are a type of index-tracking fund. ETFs aim to replicate the performance of a specified index, such as the US S&P 500 index. This means that the aim of an ETF is to provide investors with the same return as the underlying index.

ETFs are available that track most major indices for stocks and shares, bonds, commodities and other asset types, providing efficient access to many markets for investors. Within the available choice of equity ETFs, it is possible to buy most countries, sectors, regions and styles (growth / value).

ETFs are experiencing huge growth. ETP (Exchange Traded Product) assets have grown from USD 1bn 17 years ago to over USD 3,000 bn by mid 2015, according to a report released by ETFGI.

There are two basic types of ETF: the "replication" ETF and the "synthetic" ETF. As the name would suggest, replication ETFs simply replicate the underlying index by holding the same securities as the index. Synthetic ETFs are a swap arrangement between two banks, one of which promises to pay the other the return on the agreed underlying. Synthetic ETFs carry counterparty risk and can carry correlation risk.

Huge growth in ETF volumes continues



THE ETF INVESTMENT SPECIALISTS

WHY ARE ETFs BECOMING SO POPULAR?

The exponential growth in ETFs is for good reason.

They offer the following benefits:

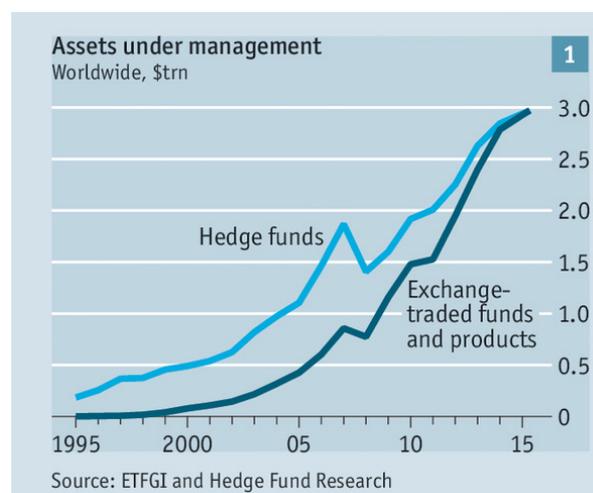
- **Low-cost:** *ETFs are generally much cheaper than many traditional pooled funds (including mutual funds). A large, liquid ETF may have a typical cost of 0.1-0.2% per annum.*
- **Liquidity:** *ETFs can offer a high degree of liquidity, meaning that you should be able to buy and sell them even during times of market turbulence.*
- **Diversification:** *ETFs can reduce the overall volatility of your portfolio. The indices they track typically contain at least 80-100 underlying securities, of which the ETF will hold the vast majority.*
- **Transparency:** *ETFs offer a high degree of transparency regarding the ETF portfolio holdings, the ETF performance and ETF costs. For example, a list of holdings is typically updated daily.*
- **Choice:** *There is a wide choice of ETFs available, over 4000 at mid 2015 (source: ETFGI).*
- **Flexibility:** *Many ETFs can be bought and sold quickly and easily during the trading session, giving your portfolio a high degree of flexibility. Most other types of pooled investment can only be sold weekly or at best daily.*

Please remember that as with all investments there are risks involved with buying and selling ETFs. Your investment can go up and down and your capital and any income is at risk. The liquidity of your investments is not guaranteed.

HOW DO WE CHOOSE ETFs AT SECURE WEALTH MANAGEMENT?

- **Cost:** *we actively monitor the costs of all the ETFs in our investment universe (numbering over 400 ETFs currently). All else being equal, we will always choose the lowest-cost ETF, considering the TER (Total Expense Ratio) and bid-offer spread.*
- **Liquidity:** *at Secure Wealth Management, most of the ETFs we employ in our portfolios have market capitalisations in the USD billions, making them some of the most liquid investments available anywhere. We only use ETFs that have a market capitalisation of at least USD 100 million, and daily US dollar liquidity of at least 20 million.*
- *We only use replication ETFs, which are a simple and elegant instrument. We do not use any synthetic, leveraged or inverse ETFs.*
- *Overall, we believe ETFs represent the future of investing, both for individual investors and financial advisers / institutions.*

ETFs overtake hedge funds





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