Safer bet to invest in ETFs

They can also be an asset allocation tool to certain exotic markets

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KUALA LUMPUR: Exchange traded funds (ETFs) offer a safer bet for investors who want to spread their risks in the current uncertain environment, says i-VCAP Management Sdn Bhd chief executive officer and director Zainal Izlan Zainal Abidin.

"There will always be investors who are keen on investing in a stock directly. ETFs cater to those who prefer some diversification, cost savings and convenience of time," he told *StarBiz* in an interview recently.

Izlan said global institutional fund managers used an ETF as an asset allocation tool to gain exposure in certain "exotic markets".

In the fourth quarter of last year, portfolio flows into ETFs in the US and Europe was positive compared to mutual funds.

"Many investors sold their positions earlier and were holding cash. Market levels subsequently were low but volatility remained high. In order to minimise risk while taking a small position, they bought ETFs. By doing so, they're utilising cash for a short-term tactical strategy," he said.

i-VCAP is the fund manager of MyETF Dow Jones Islamic Market Malaysia Titans 25, the first syariah ETF in Asia and the largest syariah

Zainal Izlan

want to follow syariah principles and "this doesn't necessary mean

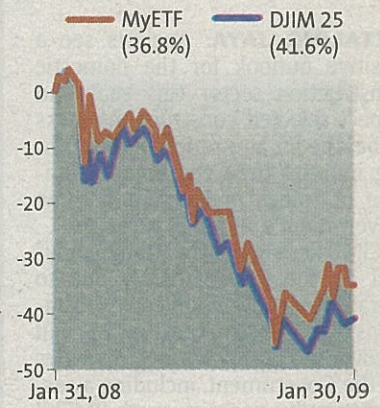
On the performance of MyETF, Izlan said it had outperformed the

MYETF-DJIM25: A YEAR LATER

The fund aims to track closely the performance of the Dow Jones Islamic Market Malaysia Titans 25 Index (DJIM25).

Top 10 constituents of DJIM25 as of end Dec 2008	
1	Sime Darby
2	IOI Corp
3	MISC
4	DiGi.com
5	TM International
6	PPB Group
7	Kuala Lumpur Kepong
8	Telekom Malaysia
9	PLUS Expressways
10	Gamuda

Comparative performance



Source: Bloomberg, i-VCAP Management

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Given the speed of information flow currently, the awareness level in Malaysia should improve significantly in the next one to two years, he reckoned.

Besides its use as a diversification tool, ETFs also offer intra-day trading opportunities for investors.

"If the price of (an) ETF is trading efficiently, investors can take advantage of the intraday volatility. This benefit is not available for unit

fees, stamp duty and clearing fees amounted to less than 1%.

The front-end sales charge for unit trust is between 4% and 6%.

"Over a horizon of three years, which is a reasonable holding period for a fund, the savings (from ETFs versus unit trusts) can be quite substantial," Izlan pointed out.

i-VCAP intends to launch three to four new funds this year, including a second tranche of MyETF, with a