

Case Study: How to use ETFs in a sector rotation strategy

AUSTRALIAN SECTOR ETFS

▶ Mark is an active investor...

...but wants a strategy he can put in place without having to watch the market all day long.

Sector rotation is a strategy that has been popular in overseas markets for many years. The basic idea behind a sector rotation strategy is to switch your investments from one sector to another with the aim of taking advantage of cyclical movements of the market.

▶ Portfolio solution

Market Vectors Australia offers a family of Australian sector ETFs ("the Funds") that are well suited for a trend trading strategy. These sector ETFs cover some of the largest Australian market sectors including Resources, Metals & Mining, Energy, Financials and Industrials.

Mark can use trading signals to implement his sector rotation strategy and monitor his investment portfolio.

AUSTRALIAN SECTOR ETF

ASX CODE

TRADING SIGNAL EXAMPLES

Aii S&P/ASX 200 Energy

ENY

BUY: oil/energy prices rising
SELL: oil/energy prices falling

Aii S&P/ASX 200 Financials

FIN

BUY: interest rates falling
SELL: interest rates rising

Aii S&P/ASX 200 Financials x-A-REIT

FIX

BUY: interest rates falling
SELL: interest rates rising

Aii S&P/ASX 200 Industrials

IDD

BUY: early stage economic recovery
SELL: early stage economic downturn

Aii S&P/ASX 300 Metals and Mining

MAM

BUY: commodity prices rising
SELL: commodity prices falling

Aii S&P/ASX 200 Resources

RSR

BUY: commodity prices rising
SELL: commodity prices falling

▶ Benefits for Mark

By taking a macro-based approach to investing and focusing on sector investment themes, Mark may mitigate company-specific risk and simplify his trading activity. He can also trade the sector ETFs throughout the market cycle.

By investing in sector ETFs as opposed to single stocks, Mark may lower his trading costs, save time and money administering his portfolio and can quickly and easily implement his investment strategy.

AUSTRALIAN SECTOR ETFs

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 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	ASX CODE
Energy	▶ 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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