主辦機構:

INVESTOR EDUCATION CENTRE
投資者教育中心

投資者教育中心為金融監管當局支持的機構

HKSFA
香港財經分析師學會
THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS

2013投資者教育
講座系列

2013 投資者教育講座系列

交易所買賣基金(ETF)
在投資組合的作用

鄭樹英教授
香港科技大學財務系兼任副教授

Exchange Traded Products: The Role of Exchange-Traded Funds (ETF) in an Investment Portfolio
交易所買賣基金(ETF)在投資組合的作用

Assessing Investment Strategies for Reliable Portfolio Returns with Minimum Volatility

評估投資策略以最低波幅達至可靠的投資組合回報

CONTENTS

ETPs (Exchange Traded Products)
交易所買賣產品

- ETF (Exchange Traded Funds)
  交易所買賣基金
- ETN (Exchange Traded Notes)
  交易所買賣票據

ETF

- ETFs For individual investors
- What? * Basket of securities…..buy/sell thru a broker…..on a Stock Exchange
- Asset classes?
  *Traditional…..stocks…..bonds…..alternatives (commodities, currencies….)
- Innovative?
  *Structures…..short?…..Leverage?

ETF (2)

- History…..1993   SPDR (Spiders)
- Invested assets…..US$ 1 T +….. global ETFs
- # ETFs…..1000+….. globally

ETF TYPES

- Market ETFs…..tracking a stock index….. SP500 (SPY)…..HK Hang Seng Index (02828)
- Bond ETFs…..bond index…..Corporate bonds (LQD)
- Industry/Sector ETFs…..specific industry….. Gold (GLD)
- Style ETFs…..capitalization focus….. Large Caps (VIG, VYM)

ETF Types (2)

- Country ETFs…..Specific country…..HK Hang Seng index……Japan Nikkei index…..China Index
- Inverse ETFs…..designed to profit from declining indexes
- Actively Managed ETFs…..designed to outperform indexes

ETF Characteristics

- Buy/sell like a stock…..during the day…..stock exchange opening hours
- Ticker symbol…..intraday prices available
- Easy to select exposure of your choice
- Adjust risk tolerance/goals easily
- Flexibility

ETF Major Advantages

- Buy/sell…..anytime in the day…..note Mutual Funds reference closing market NAV
- Lower fees …..compare broker commission vs. sales load…..1% to 2% , or more
- Types of orders…..limit orders…..stop loss orders, etc…..not with Mutual Funds

ETF/ETN Major Disadvantages

- Small and frequent trading may lead to high total costs…..vs. no load or low load MFs
- Watch out for illiquid ETFs…..wider bid/ask spreads
- Tracking error on underlying indexes possible

****

- ETN…..credit rating of the issuer……value may vary due to downgrading of issuer's rating

II. PORTFOLIO STRATEGIES OVERVIEW

Assets Shrinkage

Valuation

Portfolio Strategies

OBJECTIVES:

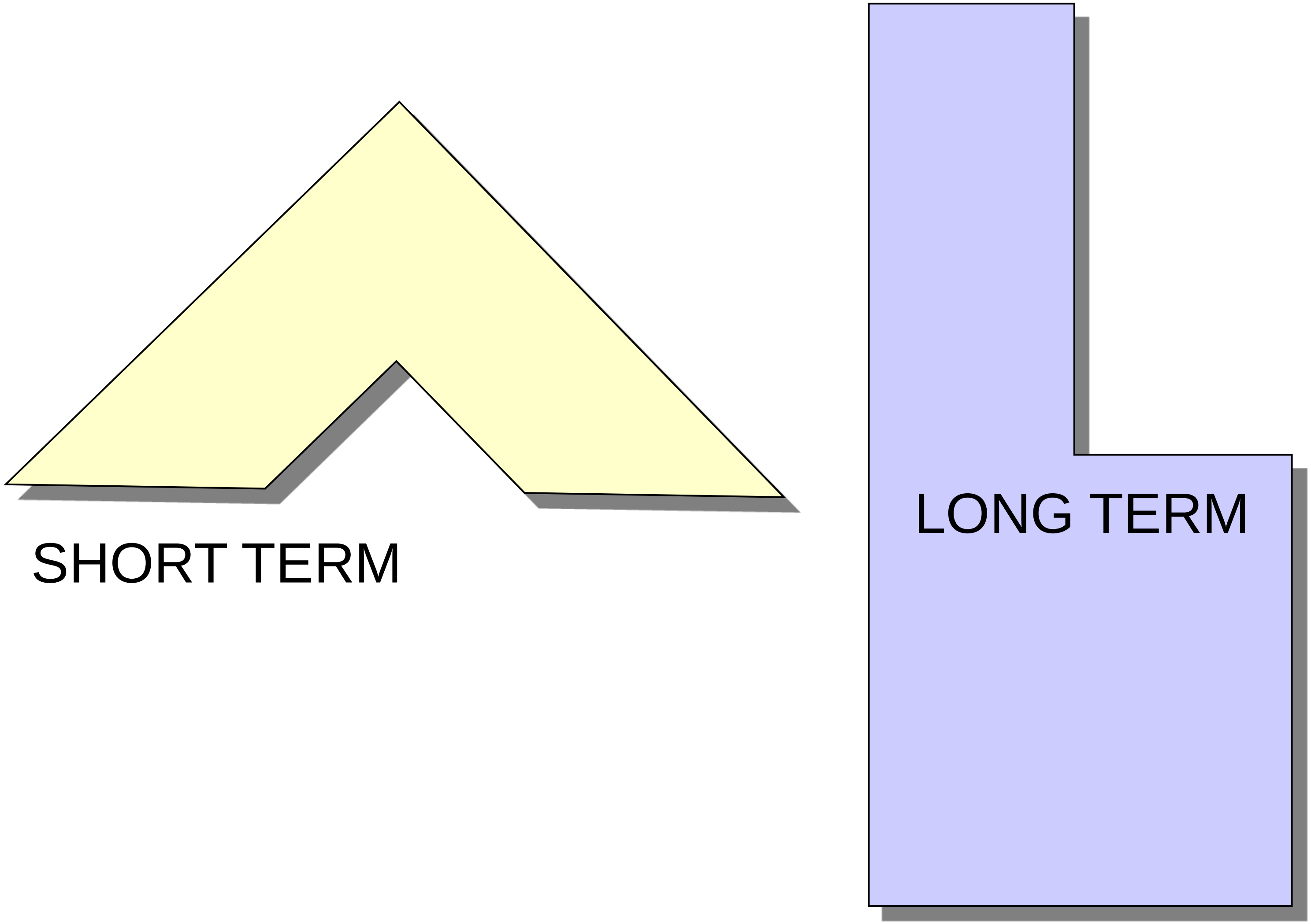
- Portfolio value creation/shrinkage
  投資組合的價值創造/收縮
- Long Term Valuation and MTM 按市價 (ETF daily)
- Risk management (Proper diversification using ETFs…..one at a time!!)

Balance Sheet

Profit (Short Term vs.Long Term Sustainability)

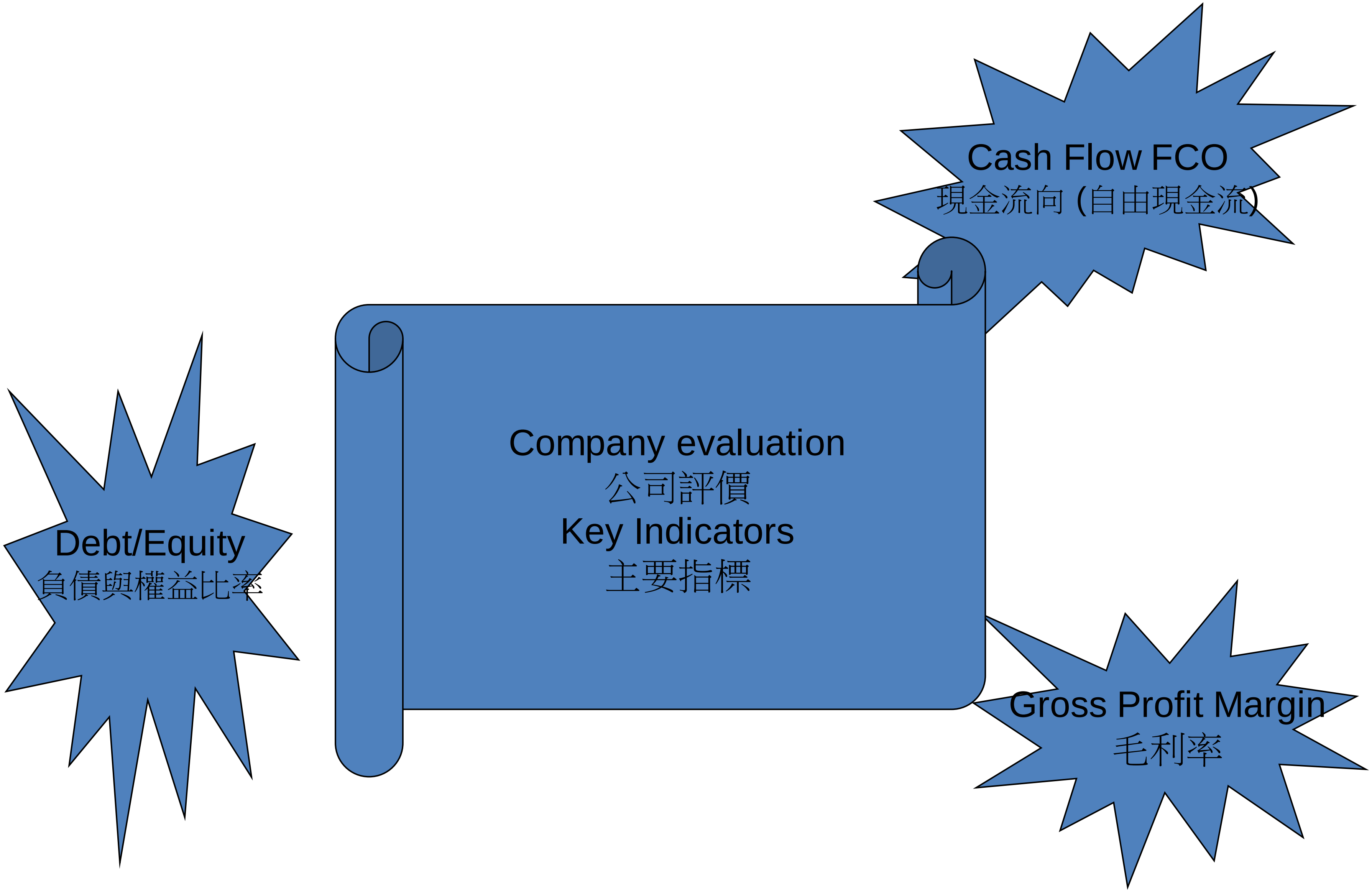
Core Business Strategies vs. Investment –led opportunities?

- Balance Sheet growth from Core Business Strategies (5 Key Indicators of companies in ETFs)
- Cash Flow from Core Operations….accounting packaging
- Risk Control
- Gross Profit Margin (Long term viability)


SHORT TERM
LONG TERM

Critical for evaluation of companies: (Companies with top % weighting in ETF)

- Short term (Stock price, market share,……)
- Long term (Longer time horizon : industry growth…..competition)
- Other motivating factors (compensation of key officers, CEO mentality, ………..)
- Short Term Profitability vs Long Term Survival


Cash Flow FCO
現金流向 (自由現金流)
Company evaluation
公司評價
Key Indicators
主要指標
Debt/Equity
負債與權益比率
Gross Profit Margin
毛利率

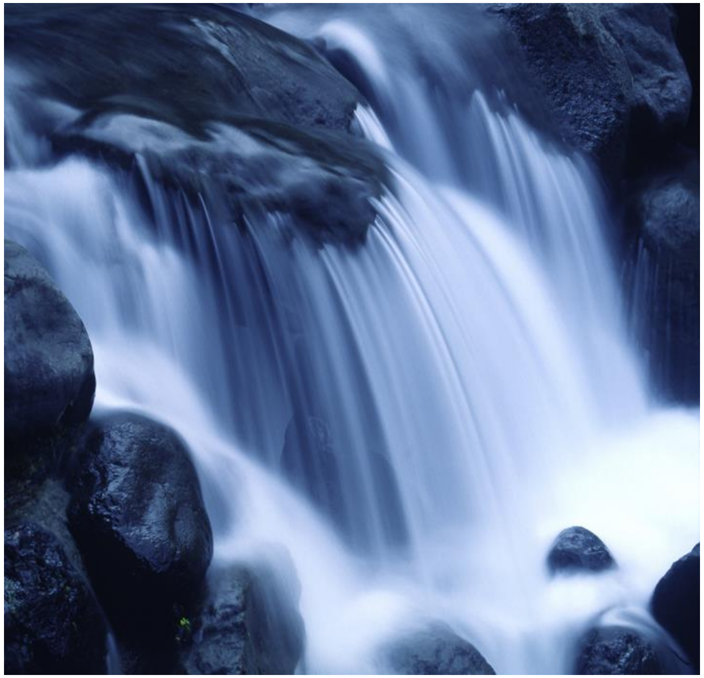
Foreign Exchange and Interest Rates Volatility

外匯及利率波幅

MAJOR ETF PORTFOLIO RISKS

- Interest rates (Fixed income securities…..bonds)
  利率
- Liquidity (Structured products….”Mini bonds”)
  流通量
- FX (Currency matching)
  外匯
- Counter Party Risks (Broker? Bank?.......)
  交易對手風險

III. MAJOR ETF CONSIDERATIONS



Interest Rate Risks

Cash Flow ?

A. INTEREST RATE RISKS

- Market interest rate causes (QE tapering? Bond ETFs?)

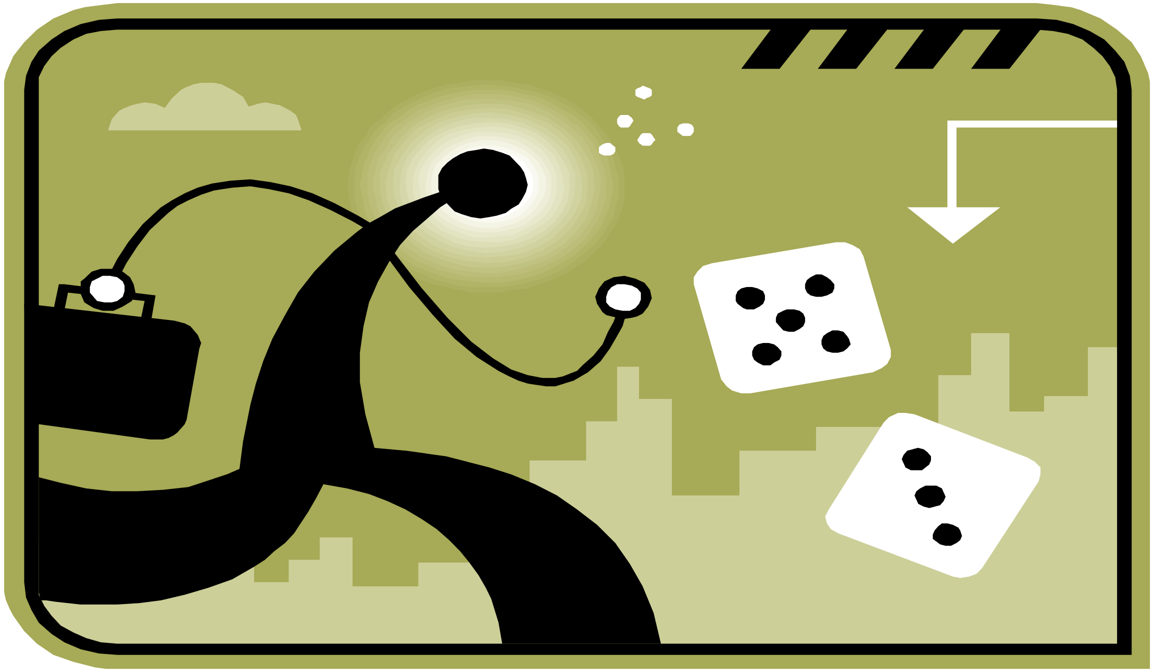
  市場利率的成因

- Values of assets (Cash% vs. ETF securities %)

  資產的價值

- Cash Flows of Assets vs. Liabilities

  資產的現金流量與負債



Optionality ?

INTEREST RATE RISKS OPTIONALITY

- Redeemable Personal Loans
  可贖回的個人貸款
- Callable Bonds in ETFs
  可贖回債券交易所買賣基金
- Arbitrage of currencies (beware of sharks?)
  (cash flows in ETFs) 套戥貨幣

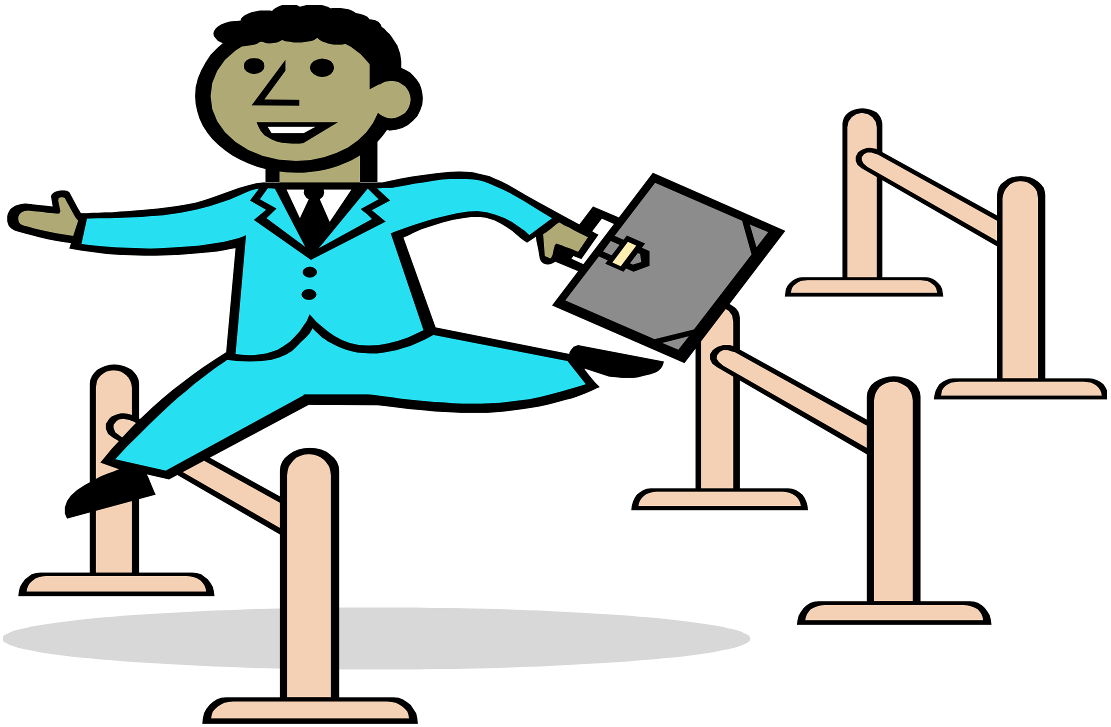
Cash Conversion

Market depth

B. LIQUIDITY RISKS

- Liquidity of assets/markets (ETF volume?)
- Conversion to cash (pre-maturity)
- Asset types: individual ETF asset classes

  [Case: Market depth; Secondary market]



Liquidity Gaps (possible threats to forced selling of unplanned sale of assets)

Short Gaps
(Acceptable
deliberate
tactics)

Long Gaps
(Strategies
could impact
survival)

DANGER

Interest Rate Risks (Diversification of portfolio buckets)

Possible Issues

- Relative Liquidity of assets vs. ability of controlling the types of liabilities

- Unexpected liability needs (due to unexpected market changes)

IV. SPECIFIC ACTION PLANS USING ETFs TO CONTROL VOLATILITY

Relative Portfolio Performance

PORTFOLIO ACTION PLANS

- A. CREDIT RISKS
- Intrinsic asset class risks (ETF nature)
- Relative ETF portfolio types risks (performance to real assets)
- Any default of companies within ETFs(or near defaults)
- ETF country risks

- B. LIQUIDITY RISKS

- Liquidity of securities in ETFs (trading volume)
- ETF Asset class nature

  (consumer industries vs. real estate)

Managing Interest Rate Risks

- C. INTEREST RATE RISKS

- Fixed income assets (bond ETF values)

  [Case: Flight to quality vs. lower credit tranche ratings]
- Equity (indirect effects)
- Rate fluctuations [Case: QE]

Resources Allocation (Geared your expertise to independently evaluate new asset classes & industries)

D. MARKET RISKS (SYSTEMATIC)

- Setting allowable range, Upper Limit and Lower Limit, of ETF types
- Management expertise, ETF historical mgt. expertise….ETF managers
- Regulations (anticipating changes; politicians' tightening of money supply; ETF historical behavior)
- High Dividend ETFs with HDGR!


كل عام وأنتم بخير

FX Risks (Evaluation in conjunction with global economic forces)

- E. FOREIGN EXCHANGE RISKS

- Domestic vs. international (Yield differential with country ETFs)
- Geographic difference (Regulators' intentions)
- Cash flow testing (own portfolio modeling)

Global Liquidity
(Correlation and time lag factors)

F. SOVEREIGN RISKS

- Emerging country ETFs (Anticipating trends vs. developed countries ETFs)
- Rating agencies (Fixed income ETFs)
- Government vs. corporate entities (country ETFs)

Prof. Philip S. Cheng

Philip Cheng was the Chief Investment Officer at MetLife Taiwan, a wholly owned subsidiary of MetLife Inc., New York, the largest Life Insurance Company in the US, with approximately US$800 Billion in total assets under management (AUM).

Beginning in 1996, and during his 11 years as Chief Investment Officer, he was managing a diversified portfolio with total assets under management of approximately US$2 billion. He provided the leadership in setting up of investment policies and strategies to enhance portfolio yield; implementation of asset allocation strategies to increase return on equity; the oversight and the implementation of risk management tools to achieve optimal return on capital.

Prior to joining MetLife, beginning in 1974, he was with JPMorgan-Chase for 21 years in international banking and investments. He was Vice-Presidents in areas of corporate lending, trade finance, institutional investment banking and property lending in New York and major Asian cities.

He has taught at the Graduate School of City University of New York (Management Science) and Beijing University (Portfolio Management).

In the last few years, he has been an active conference speaker in Sydney, Hong Kong, Beijing, Seoul, Taipei, Bangkok, Kuala Lumpur and Singapore on global financial topics: Portfolio risk analysis, Diversification and global investments; Credit risk management; Fixed income investments and markets, among others.

Since 2007, he has also been appointed Adjunct Associate Professor of Finance at the University of Science and Technology in Hong Kong.

In April 2012, he published an investment book “8 Winning Maxims on Stock Investments: Surviving Investment Crocodiles” and was an instant number one Best Seller in Hong Kong. Then in July 2013, targeting the international markets, he published “Taming the Money Sharks” with Wiley.

Website: www.philipscheng.com

主辦機構:

INVESTOR EDUCATION CENTRE
投資者教育中心

投資者教育中心為金融監管當局支持的機構

HKSFA
香港財經分析師學會
THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS

2013投資者教育
講座系列

2013 投資者教育講座系列

問答