

## **FAQs on Meristem ETFs**

### 1. What is an Exchange Traded Fund?

An Exchange Traded Fund (ETFs) is a type of collective investment scheme which seeks to replicate the performance of an index. An index is a basket of securities such as stocks, bonds, or commodities. ETFs allow investors gain exposure to a basket of securities in a specific sector or index without having to purchase them individually.

### 2. How do I invest in the Meristem Growth and Meristem Value ETFs?

The Meristem Growth and Value ETFs can be purchased on the Main Board of the Nigerian Exchange. You can begin investing by opening an account with a stockbroker and then purchasing the ETFs, just like you would for a regular stock. The Meristem ETFs can be found on the list of stocks tradable on the Nigerian Exchange. The tickers (stock names) for the Meristem ETFs are MERVALUE and MERGROWTH.

### 3. How is the Meristem Value ETF different from the Meristem Growth ETF?

Investing in the Value ETF exposes you to a basket of certain value stocks listed on the Nigerian Exchange, while the Growth ETF grants exposure and access to selected growth stocks listed on the Exchange.

Value stocks are companies considered to be trading below its intrinsic value, have strong earnings and book value, and are mostly high dividend paying stocks. Growth stocks on the other hand, however, focuses more on the historical and potential growth in key value drivers of a company and is less dependent on how low the stock is trading relative to the value drivers.

### 4. What is the minimum amount for purchase of the Meristem Growth and Meristem Value ETFs?

The minimum amount for purchase of the Meristem ETFs on the exchange is the price for an ETF unit. Where an investor chooses to purchase through our stockbrokers, Meristem Stockbrokers, the minimum amount for opening an account with Meristem Stockbrokers is N10,000. After a trading account has been opened and funded, the investor can go ahead to purchase either of our ETFs.

### 5. How are the prices of the Meristem ETFs determined?

The Meristem ETF prices, like a regular stock, are determined by the forces of demand and supply for the ETF on the Nigerian Exchange. The performance of the ETFs also impacts the direction of the prices.

6. What are the benchmark indices tracked by the Meristem ETFs?

The Meristem Value ETF (MERVALUE) tracks and replicates the performance of the NGX-Meristem Value Index while the Meristem Growth ETF (MERGROWTH) tracks and replicates the performance of the NGX-Meristem Growth Index.

7. Can I request to know the underlying stocks in the Value ETF and Growth ETF?

The benchmark indices comprise the underlying stocks being tracked by the ETFs. The constituents of the indices are publicly available on the website of the Nigerian Exchange.

8. Does the Fund manager occasionally review the underlying stocks in Meristem ETFs?

The NGX-Meristem Growth and Value Indices are reviewed semi-annually, in June and December. The Meristem ETFs are thereafter rebalanced in line with the reviewed index by the Fund Manager, Meristem Wealth Management Limited.

9. Is there a minimum period for holding the investment? Can I exit whenever I want to?

No, there is no minimum period for holding the ETFs. ETFs are traded on the exchange and can be sold off at the choice of the investor.

10. When were the Meristem ETFs founded?

The Meristem Value ETF and Meristem Growth ETF became operational in September 2020.

11. How does the in-kind creation and redemption of ETF units work?

In-kind creation allows investors to exchange the underlying shares in the ETF for the relevant equivalent number of Units of the Funds while in-kind redemption allows investors exchange units of the Funds for units of shares in the ETF.

This in-kind creation/redemption feature is however subject to a value threshold of a Block Unit (i.e., 500,000 units of each of the Funds) and subsequently in 100,000 units of each of the Funds.

12. How are ETFs different from Mutual Funds?

ETFs and Mutual Funds are types of collective investment schemes or pooled investments in which investors benefit from the skill and expertise of Finance professionals. These professionals are money managers who utilize their abilities in generating investment returns for investors.

ETFs are however particularly different from mutual funds in that they can be bought or sold on the exchange, like a regular stock. ETFs are mostly passively managed unlike Mutual funds which are actively managed. ETFs are known to have lower tax fees relative to mutual funds.

13. How often are dividends distributed on the Meristem ETFs?

Dividends are distributed at the close of each financial year, after the auditing of the financial statements of the ETF.

14. Is there a fixed dividend amount distributed every year?

No, there isn't. Dividend amounts to be paid are decided based on the income generated on the Funds each year.

15. Has Meristem ETFs ever paid dividends?

Yes, ETFs were paid last in May 2022 for the period of September 2020 - December 2021.

16. What are the benefits of investing in Meristem ETFs?

- Low transaction cost benefits compared to owning and trading individual securities on the exchange.
- Diversification of equity investments by exposure to growth and value stocks.
- Access to financial expertise by professional money managers.
- Capital gains and dividend income on the ETFs.
- In-kind creation and redemption of ETF units- Exchange of underlying stocks for ETF units.