LEEWARD

Exchange-traded funds

What is an Exchange-trade fund?

An Exchange Traded Fund (ETF) is a pooled investment product that combines the trading flexibility of a stock and the diversification of a mutual fund. Generally, ETFs compose a basket of securities that are designed to offer exposure to a certain segment of the market. Most ETFs track an Index.

In contrast, a Mutual Fund pools together money from many investors to purchase a collection of stocks, bonds, or other securities. Mutual funds have different tax-treatment rules and do not trade on listed exchanges. Below is a table that compares ETFs to Mutual Funds.

	ETFs	Mutual Funds
Liquidity	Bought and Sold throughout the day with real-time pricing	Prices at end of day through mutual fund companies
Sales Charges	None	May have sales loads, purchase and/or redemption fees
Minimum Investment	None, can buy one share	May have minimum investments
Trading	-Ability to trade intraday -Special orders possible	-Trades executed once per day -Special trading not possible
Listing	Listed on stock exchanges	Not listed
Capital Gains	Reinvested within ETF	Distributed to shareholders
Transparency of Fees	Standard Trade Fees, bid/ask spread	Sales load, 12b-1 fees, trading fees on cash in/outflows
Tax Efficiency	More Tax Efficient	Less Tax Efficient
Holdings	Disclosed Daily	Disclosed Quarterly, usually at least one month old