



INTEGER WEALTH GLOBAL

ETF – A Definition

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An exchange-traded fund (ETF) is a type of investment fund and exchange-traded product, i.e. they are traded on stock exchanges.

ETFs are similar in many ways to mutual funds, except that ETFs are bought and sold throughout the day on stock exchanges while mutual funds are bought and sold based on their price at day's end.

An ETF holds assets such as stocks, bonds, currencies, and/or commodities such as gold bars, and generally operates with an arbitrage mechanism designed to keep it trading close to its net asset value, although deviations can occasionally occur.

Most ETFs are index funds, that is, they hold the same securities in the same proportions as a certain stock market index or bond market index. The most popular ETFs in the U.S. replicate the S&P 500 Index, the total market index, the NASDAQ-100 index, the price of gold, the "growth" stocks in the Russell 1000 Index, or the index of the largest technology companies.

With the exception of non-transparent actively managed ETFs, in most cases, the list of stocks that each ETF owns, as well as their weightings, is posted daily on the website of the issuer. The largest ETFs have annual fees of 0.03% of the amount invested, or even lower, although specialty ETFs can have annual fees well in excess of 1% of the amount invested. These fees are paid to the ETF issuer out of dividends received from the underlying holdings or from selling assets.

An ETF divides ownership of itself into shares that are held by shareholders. The details of the structure (such as a corporation or trust) will vary by country, and even within one country there may be multiple possible structures. The shareholders indirectly own the assets of the fund, and they will typically get annual reports. Shareholders are entitled to a share of the profits, such as interest or dividends, and they would be entitled to any residual value if the fund undergoes liquidation.

ETFs may be attractive as investments because of their low costs, tax efficiency, and tradability.

As of 2017, there were 5,024 ETFs trading globally, with 1,756 based in the U.S., with over half of the inflows going to the 20 largest ETFs.[10] As of September 2020, assets under management by U.S. ETFs was \$4.9 trillion.

Assets were up to \$5.5 trillion by January 2021. In the U.S., the largest ETF issuers are BlackRock iShares with a 39% market share, The Vanguard Group with a 25% market share, and State Street Global Advisors with a 16% market share.

Closed-end funds are not considered to be ETFs, even though they are funds and are traded on an exchange. ETN's are 'Exchange Traded Notes', debt instruments that are not exchange-traded funds.