Amundi ASSET MANAGEMENT | ETF

ETFs and index funds

MARKETING COMMUNICATION

Fundamentals

ETFs and index funds

Exchange-traded funds (ETFs) and index funds are both considered to be "passive investment products[1]" and have the same objective – to replicate the performance of a market index. They are managed professionally by a portfolio manager who uses different investment techniques to track the fund's index performance as closely as possible.

> As passive investment products ETFs and index funds' key objective is to replicate the relevant index.

What do ETFs and index funds have in common?

ETFs and index funds offer investors access to a wide variety of investment exposures and have much in common.

- ETFs and index funds are accessible to all types of investor – but how investors access them is different.
- In Europe both fund structures may be subject to the same UCITS regulatory framework aimed at protecting investors.
- Both ETFs and index funds are designed to offer investors diversified, risk-controlled, and transparent exposure to the performance of a chosen index.
- As passive funds, both ETFs and index funds are typically considered to be low-cost investment solutions.

1 In Europe ETFs are mainly passive funds although now actively-managed ETFs are allowed with strong constraints.

Key differences between ETFs and index funds

1 Accessibility

This refers to the way that investors can invest into the fund's shares.

ETFs

- Like stocks on an exchange, ETFs can be traded throughout the day in real time. As they trade like a stock, investors sell them at the 'bid' price – the price that a buyer is willing to pay for the ETF – and buy them at the 'ask' price – the price a seller is willing to accept for it. The bid-ask spread is the difference between the highest bid and the lowest ask.

- Under normal market conditions, this bid-ask spread is typically small. It reflects the supply and demand of ETFs in the market, but it also largely depends on market conditions[2]. As a result, the price investors pay is subject to change throughout the day. An investor will trade their ETF through a financial intermediary, so will have commission charges on top of the price defined on the exchange.

Index Funds

- As with other mutual funds, the investor places the trade on a given day before the fund's defined cut-off time. When the investor places the trade, he will not know the price – or net asset value (NAV) – as this is normally calculated and published the next day.

- The NAV typically matches the index performance closely and index funds trade without a bid-ask spread. As the investor goes directly to the asset manager or distributor to subscribe or redeem the fund's shares, there are no trading commissions but the subscription may be subject to other fees that are typically outlined in the fund's Key Information Document (KID).

What does this mean for investors?

- For investors seeking the **flexibility** of trading on exchange during trading hours, an ETF might better meet their needs.

- For **long-term** investors who trade infrequently, an index fund may best meet their needs.

- For **short-term** or investors focused on trading at an intraday price, the ETF structure might be most appropriate.

2 The higher the spread, the lower the liquidity of the index components (volatile market conditions): the index components are traded less and their price is higher than under normal market conditions. This results in a higher ETF price for investors. In these specific situations, investors must consider their trade with scrutiny.

2 Minimum investments

The minimum amount an investor can choose to invest.

ETFs

Trading ETFs is simple, as they are standardised funds in which a single share class is accessible to all. The minimum trading size for any investor is simply one ETF, whether the price of that specific ETF is €100 a share or €1000 a share. With a single share class, the funds all trade at one per-share price irrespective of the size of the trade.

Index funds

Index funds are structured with different share classes designed for different investors – across these share classes the minimum investments will be different. The fees may differ by share class based on a tiered approach. In general the higher the minimum investment for the share class, the lower the management fees attached to it.

What does this mean for investors?

- For **individual investors or smaller institutions** unable to meet high minimum investments, an ETF might offer a simple solution to gain market exposure.
- For **large investors**, an index fund with a high minimum investment and tiered fees might be an appropriate approach.

3 Range

The breadth of available funds.

ETFs

ETF providers often look to develop a wide variety of funds covering a broad range of exposures in order to offer investors an ETF 'tool box' or the building blocks for investors to customise their portfolios. This means that in many cases ETFs will offer sub-exposures to a broad geographical exposure.

Index funds

Index funds are typically larger and more likely to focus on the main exposures.

Example: An investor looking for European exposure via index funds or ETFs:

- **Index funds** usually enable investment into broad exposures, providing major exposure to European securities
- Investors can access a variety of distinct **ETFs** that may offer both broad exposure, but also a range of sub-exposures in Europe covering healthcare or banking stocks, growth or mid-caps stocks, climate or ESG themes etc.

Choice for investors

In many respects, ETFs and index funds are not that different – they are both cost-effective index trackers. When choosing between an ETF or an index fund, investors will need to review their individual preferences, profiles, goals, investment size and expectations.

In making this choice between structures, it is important to compare each fund's exposure (the index), its ongoing costs, as well as the commission paid to the financial intermediary.

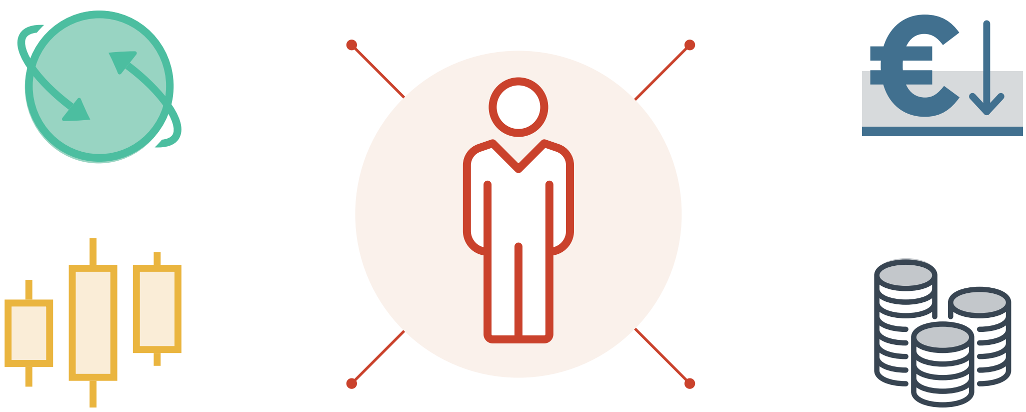
In summary

- Index funds are accessed at the NAV that is calculated at the end of each day after the market close.
- ETFs are traded on a stock exchange and can be accessed at different prices throughout the day.

Accessibility

- Index funds can have a high minimum investment.
- ETFs are traded at a minimum of one share.

Minimum investments



Range

- Index funds tend to offer a range of main investment building blocks.
- ETFs typically offer a very wide range of exposures, including main investment building blocks and beyond.

Costs

- Both are low-cost investment tools – investors should look carefully at ongoing costs and any trading costs.

Quick reference summary

	Exchange Traded Fund	Index Fund
Fund Type	A mutual fund that differs from a common mutual fund, as it is listed on a stock exchange. The ETF belongs to the exchange-traded product (ETP) family.	Mutual fund
Investor Type	All investors One and the same share for all types of investors	All investors Fund shares are generally specific to each type of investor
Access	As a listed product, a transaction is done via a financial intermediary that deals on the stock exchange.	As a non-listed product, a transaction is placed through the asset manager or distributor.
Pricing	Fluctuates throughout the day, as it is bought and sold like a stock on a stock exchange. The transaction is placed at a market-determined price or at the unknown daily value of the fund's shares (the fund's NAV[3] that is determined at the end of the day after market close).	The transaction is carried out at an unknown price as the fund's NAV is not yet known at the time of the transaction. The unit price of the transaction (NAV) is determined at the end of the day after market close

3 The fund's Net Asset Value (NAV) is the value of each share/unit of a fund. It is equal to the total value of a fund's assets (net of charges) divided by the number of shares/units issued. It is usually published on the ETF provider's website as well as databases.

Amundi ETF

Amundi, the largest European ETF provider, offers over 300 UCITS ETFs covering a wide range of asset allocation needs and a broad spectrum of ESG and Climate investing goals.

For more information on how to invest in Amundi ETF, please visit **www.amundietf.com**.

Important Information

Marketing communication

Key risks

- Risk of the loss of invested capital. Investors may not get back the original amount invested and may lose all of their investment.
- Risk associated with the markets to which the ETF is exposed. The price and value of investments are linked to the liquidity risk of the components. Investments can go up as well as down.
- Risk associated with the volatility of the securities/currencies composing the underlying index.
- The fund investment objective may only be partially reached.

This is a marketing communication. Please consult the Prospectus and the Key Investor Document ("KID") before making a final investment decision.

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The Funds are Amundi UCITS ETFs. The Funds can either be denominated as "Amundi ETF" or "Lyxor ETF". Both Amundi ETF and Lyxor ETF designates the ETF business of Amundi.

Amundi UCITS ETFs are passively-managed index-tracking funds. The Funds are French, Luxembourg or Irish open ended mutual investment funds respectively approved by the French Autorité des Marchés Financiers, the Luxembourg Commission de Surveillance du Secteur Financier or the Central Bank of Ireland, and authorised for marketing of their units or shares in various European countries (the "Marketing Countries") pursuant to the article 93 of the 2009/65/EC Directive.

Before any subscription, the potential investor must read the offering documents (KID and prospectus) of the Funds. For more information related to the stocks exchanges where the ETF is listed please refer to the fund's webpage on amundietf.com. Investment in a fund carries a substantial degree of risk (i.e. risks are detailed in the KID and prospectus). All investors should seek professional advice prior to any investment decision, in order to determine the risks associated with the investment and its suitability. It is the investor's responsibility to make sure his/her investment is in compliance with the applicable laws she/he depends on, and to check if this investment is matching his/her investment objective with his/her patrimonial situation (including tax aspects).

Some of the Funds mentioned in this document may not be authorized for distribution in your country.

The Funds are neither sponsored, approved nor sold by the index providers. The index providers do not make any declaration as to the suitability of any investment. A full description of the indices is available from the providers.

This document was not reviewed, stamped or approved by any financial authority.

Information reputed exact as of 1 June 2023.

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Amundi Asset Management (Amundi AM)

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