

# Are you an informed investor?

## Exchange Traded Funds

*Exchange Traded Funds (ETFs) have grown increasingly popular among retail investors seeking safe, stable alternatives to mutual funds.*



**Before investing in an ETF, ask yourself these questions:**

- Do I understand this investment?
- Is this investment right for me?

### **What are ETFs?**

ETFs are baskets of investments such as stocks, bonds, commodities, currencies, options, swaps, futures contracts and other derivative instruments that are created to mimic the performance of an underlying index or sector.

ETFs are often compared to mutual funds because they pool investors' assets and use professional fund managers to invest the money according to a specific strategy detailed in the fund's prospectus. Unlike a mutual fund, which is bought or sold directly from the fund issuer at the fund's net asset value (NAV), which is set at the end of each trading day, an ETF is bought and sold on an exchange like any other listed stock at a price continuously determined on the exchange.

Initially, ETFs were purchased primarily by sophisticated investors, such as hedge fund managers, who used the products to "hedge" against a particular risk. Today, retail investors with investment objectives of safety and stability are purchasing ETFs as an alternative to mutual funds and other investments.

### **Common Traditional ETFs**

- **Index** – Seeks to mirror the performance of a specific investment index, such as the S&P 500 or the Dow Jones Industrial Average.
- **Commodity** – Seeks to mirror the performance of a specific commodity or commodity group, such as gold or oil.
- **Bond** – Seeks to mirror the performance of a specific bond index or product, such as U.S. Treasury or municipal bonds.
- **Currency** – Seeks to mirror the performance of a specific currency or basket of U.S. or international currencies, such as the Euro or Yen.
- **Industry** – Seeks to mirror the performance of a specific industry segment, such as healthcare or manufacturing.

### **Non-traditional or Synthetic ETFs**

- **Leveraged** – Uses financial derivatives and debt to multiply the returns of an underlying index, commodity, currency or basket of assets.
- **Inverse** – Uses various derivatives to profit from the decline in the value of an underlying index, commodity, currency or basket of assets; used typically to hedge exposure to downward markets.

**To learn more about wise investing or information on other products, contact:**

ARIZONA CORPORATION COMMISSION - SECURITIES DIVISION  
602-542-0662 or toll free, 1-866-VERIFY-9 (837-4399)

[www.azinvestor.gov](http://www.azinvestor.gov)

