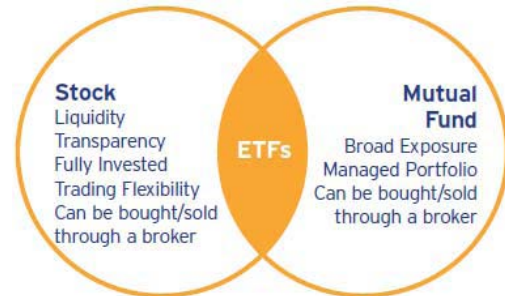


Investing in Actively Managed ETFs

What is an ETF?

ETFs (exchange traded funds) are one of the fastest growing investment products due to their ease of accessibility and their operational tax efficient structure. An ETF represents a basket of securities that are grouped together but are tracked and traded as one individual security. It is a unique investment tool that combines some of the features of mutual funds with those of the features of individual stocks. Like a stock, these ETF shares are traded on exchanges at market-determined prices. Like a mutual fund, an ETF gives investors exposure to a group of securities through a single transaction.



What are the benefits of investing in an ETF?

- *Access:* Any shareholder that has access to a brokerage account can purchase shares of an ETF.
- *Broad Exposure:* The ETF allows the investor to be exposed to a broad and diversified basket of securities with a single trade, regardless of the size of the investment.
- *Liquidity:* Unlike mutual funds, ETF shares are publicly traded throughout the trading day, giving it liquidity like any other stock. However, unlike a stock, the ETF's liquidity is not impacted by the supply and demand of shares, as ETF shares can be created or redeemed at any time with the share price in line with the fund's net asset value.
- *Transparency:* ETFs are registered with the SEC and the fund's holdings must be disclosed on a daily basis, allowing investors to know the exact securities in which they are invested.
- *Tax Efficiency:* In a mutual fund, inflows and outflows are done in cash, which impacts all remaining shareholders in the fund. However, ETFs are able to avoid this through in-kind trading. In-kind redemption and creation of fund shares allows for capital gains to be realized outside of the fund, at the participant level, avoiding any cost or tax impact for ongoing shareholders.
- *Dividends:* Most fixed income ETFs pay out monthly dividends.

What is an actively managed ETF versus an index ETF?

An actively managed ETF is an exchange traded fund that is managed by a professional fund manager or managers. These professional portfolio managers select the individual securities to be included based on the designated investment strategy. An index ETF is simply an ETF that tries to mirror an underlying index. These index ETFs take the "one of everything" approach for the strategy or asset class, rather than focusing on security selection within that strategy or asset class. The benefits of an actively managed ETF versus an index ETF include the manager's ability to focus on only investing in the securities they see as offering the most value, rather than having to invest in less desirable securities just for the sake of fully tracking the underlying index. Also, with the manager's focus on security selection and active trading, they are more able to react to changing markets and market conditions and to potentially reduce risk. However, by the nature of active management the investor is subject to the manager's discretion and ability.